



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.lacounty.gov>

DAVID E. JANSSEN
Chief Administrative Officer

May 8, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**TEN-YEAR LEASE
DEPARTMENT OF HEALTH SERVICES
38350 40th STREET EAST, PALMDALE
(FIFTH DISTRICT) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached ten-year lease, with Antelope Valley Health Care District (Landlord), for 20,480 square feet of office medical space, with parking for 80 vehicles included in the base rent, for the Department of Health Services (DHS), at an initial annual combined cost of \$486,196, including repayment of Tenant Improvements (TI) and Parking Facility Tenant Improvements (PFTI). All expenses associated with the subject program are included in the DHS Valley Care Network 2007-08 Proposed Budget and will be requested in future fiscal years.
2. Consider the attached Negative Declaration, together with the fact that no comments were received during the public review process; find that the project will not have a significant effect on the environment, find that the Negative Declaration reflects the independent judgment of the County of Los Angeles (County), approve the Negative Declaration and find that the project will have no adverse effect on wildlife resources, and authorize the Chief Administrative Office (CAO) to complete and file a Certificate of Fee Exemption for the project.
3. Authorize the CAO and DHS to reimburse the Landlord for additional TI and PFTI not to exceed \$451,800 payable in a lump sum or amortized at 9 percent over eight years of the lease.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

4. Authorize Internal Services Department (ISD), DHS and/or the Landlord, at the direction of the CAO to acquire furniture at a cost not to exceed \$320,000. Authorize the CAO to acquire financing for furniture systems, if needed, for DHS, at a cost not to exceed \$320,000, amortized at a maximum of 6.5 percent over a 60-month period, or \$75,134 annually.
5. Authorize the Landlord and/or Director of ISD, at the discretion of the CAO, to acquire a telephone system for DHS at a cost not to exceed \$250,000. The telephone, data and low voltage costs shall be funded by DHS via the Utilities and Telephone Utilities budgets.
6. Approve the project and authorize the CAO, ISD and DHS to implement the project. The lease will be effective upon approval by your Board and acceptance of the TI by the County.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current five-year lease for the South Valley Medical Center is a gratis lease which contains a cancellation clause that may be exercised by either party in September 2007. The Landlord has informed the County that they intend to exercise their cancellation right at the earliest date possible as they can no longer provide gratis space to the County. The proposed ten-year lease will allow DHS to continue its clinic operation and will consolidate the existing 14,408 square feet of clinic space occupied on the first floor and provide an additional 6,072 rentable square feet of clinic space on the second floor under renegotiated terms and conditions commencing upon the acceptance by the County of the TI and the mutual termination of the existing lease.

The current space houses direct service ambulatory care programs including a primary care clinic, and six specialty clinics located at 38350 40th Street West, Palmdale since 1998. The additional 6,072 square feet will be used to house an on-site outpatient pharmacy to support the existing clinics. The expansion will also provide for the separation of adult and pediatric primary care clinics and waiting areas to improve patient care services. Furthermore, the expansion addresses space deficiencies within the current leased space, including lack of a conference room, critical shortage of medical record storage, and shortage of building office space for providers and managers.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we achieve a goal of Service Excellence by providing a more appropriate environment for the provision of primary care to pediatric patients and by improving patient flow (Goal 1, Service Excellence). In this case, we are improving patient service by reducing waiting time for appointments. In addition, the expansion of leased space will enable the development of an on-site outpatient pharmacy which will eliminate the need for patients to travel far distances to obtain prescriptions. In terms of Goal 3, Organizational Effectiveness, the provision of more appropriately sized and configured space at the present site will improve the effectiveness of this health delivery system which is located in the Antelope Valley, one of the fastest growing areas of Los Angeles County. For the DHS to continue serving this population effectively, capacity at this site needs to expand, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The annual base rent cost of this lease will initially be \$331,776. The monthly base rent is subject to annual adjustments of the previous year base rent with a minimum of three percent to a maximum of six percent.

	Current Lease L-0762 Premises 1 - 14,408sf	New Lease Premises 1 - 14,408sf Premises 2 - 6,072sf	Changes
Area	14,408 sq. ft.(verified space)	20,480 sq. ft.	+ 6,072 sq. ft.
Term	Five years* (9/1/04-8/31/09)	Ten years, commencing upon Board approval.	+Five years
Annual Base Rent	Gratis	\$ 331,776**	+\$331,776
TI in base rent	None	\$ 509,944	+\$509,944
Additional TI's		\$ 201,800*** (\$35,336 per year)	+\$201,800
Parking PFTI		\$ 250,000 (\$43,950 per year)	+\$250,000
Maximum Rent Amount	Gratis	\$486,196	+\$486,196
Option	5-year option exercised	None	None
Cancellation	By either party anytime after 3 rd year with 60 days prior written notice.	County has right to cancel anytime after the eighth year with 120 days prior written notice.	County only has the right to cancel.

* The current Lease will be terminated upon approval by the Board of Supervisors of the new consolidated lease.

** The rate is on a modified full-service basis. The base rent does not include the cost of electrical use, gas or janitorial services and supplies used by the County within the Premises. Maximum 1st year rent equals \$486,196, which includes \$331,776 base rent (which includes Landlord provided TI in the amount of \$509,944), \$35,336 in annual repayment of additional TI and change order amortized at 9 percent over an eight-year term, \$43,950 repayment of additional parking TI (to a maximum total \$250,000) amortized at 9 percent over an eight-year term and \$75,134 repayment of furniture (maximum totals \$320,000) amortized at 6.5 percent over a five-year term.

*** The Additional TI includes \$151,800 in TI dollars and \$50,000 in change order allowance, which could total +\$201,800.

Funding for the proposed lease and other costs of occupancy are included in the DHS Valley Care Network 2007-08 Proposed Budget and will be requested in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The services to be provided at the proposed facility include a primary care clinic, an urgent care clinic and an outpatient pharmacy. Specialty clinics are scheduled during various hours as specific clinic sessions, including ENT, General Surgery, Gynecology, Orthopedics, Podiatry, and Urology.

There are currently 84 budgeted positions for the programs housed at this site. With the proposed program expansion, it is projected that there will be 118 budgeted positions. This does not include contract staff for security, x-ray, contract physicians, or housekeeping.

The staff required for program expansion includes positions dedicated to the new outpatient pharmacy and the separation of adult and pediatric primary care clinics.

The proposed renewal provides 20,480 rentable square feet of medical office space with parking for 80 vehicles and contains the following provisions:

- A modified gross lease, in which the Landlord pays for all operating costs associated with the County's occupancy excluding utilities and janitorial services and supplies.
- An annual adjustment of the previous year base rent based on the Consumer Price Index with a minimum of 3 percent and capped at 6 percent.
- A cancellation provision allowing the County to cancel anytime after the eighth anniversary of the commencement by giving not less than 120 days prior written notice.
- Parking for 80 vehicles and the construction of a new secured parking area for employees with the County's share of costs not to exceed \$250,000.
- Additional Landlord TI's up to a maximum of \$201,800 which will be amortized at 9 percent over a 96-month term and repaid through the Rent Expense budget. County may at anytime during the lease term pay Lessor all or any portion of the TI cost without penalty and reduce the amount payable monthly.

CAO Real Estate staff did not survey the Antelope Valley area to identify more economical sites as this was a renegotiation of an existing lease. Attachment B shows all County-owned and leased facilities within the surrounding Antelope Valley area and none are available to house this operation.

Based upon a market survey of similar properties in the Antelope Valley area, staff has determined that the base rental range including parking for similar properties is between \$21.00 and \$24.00 per square foot per year modified gross. Thus, the base annual rent of \$16.20 represents a below-market rental rate.

The Department of Public Works inspected this facility for seismic safety and ADA and has no objection to the occupancy of the premises by the County.

The proposed premises area maximizes the space available within the building for clinic purposes. There is no available space to operate a child care center on the premises.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

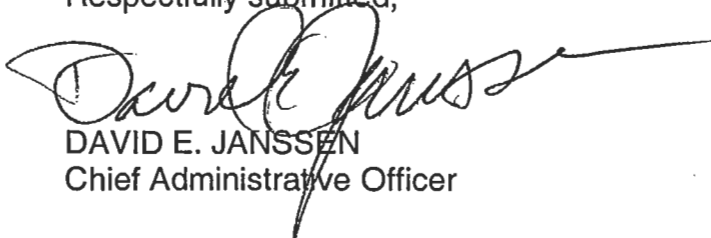
It is the finding of the CAO that the proposed lease is in the best interest of the County and will adequately provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DHS concurs in this lease renewal recommendation.

The Honorable Board of Supervisors
May 8, 2007
Page 6

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two original Lease and two certified copies of the Minute Order and adopted stamped Board letter to the CAO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:WLD
CEM:TS:hd

Attachments (3)

c: County Counsel
Auditor-Controller
Department of Health Services
Internal Services Department

**DEPARTMENT OF HEALTH SERVICES
38350 40th STREET WEST, PALMDALE**

Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>	Yes	No	N/A
A	Does lease consolidate administrative functions? ²			X
B	Does lease co-locate with other functions to better serve clients? ² This is a health clinic use only.		X	
C	Does this lease centralize business support functions? ²			X
D	Does this lease meet the guideline of 200 sq. ft of space per person? ² Ratio: 1/173 square feet space per person.	X		
2.	<u>Capital</u>			
A	Is it a substantial net County cost (NCC) program?	X		
B	Is this a long term County program?	X		
C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
D	If no, are there any suitable County-owned facilities available?		X	
E	If yes, why is lease being recommended over occupancy in County-owned space?			X
F	Is Building Description Report attached as Attachment B?	X		
G	Was build-to-suit or capital project considered? No, size of project did not require build-to-suit or capital project because of availability of leased space.		X	
3.	<u>Portfolio Management</u>			
A	Did department utilize CAO Space Request Evaluation (SRE)?	X		
B	Was the space need justified?	X		
C	If a renewal lease, was co-location with other County departments considered?	X		
D	Why was this program not co-located?			
	1. ____ The program clientele requires a "stand alone" facility.			
	2. ____ No suitable County occupied properties in project area.			
	3. <u>X</u> No County-owned facilities available for the project.			
	4. ____ Could not get City clearance or approval.			
	5. ____ The Program is being co-located.			
E	Is lease a full service lease? ² Landlord did not want to be responsible for certain services, therefore, the County is responsible for the utilities and janitorial services for the County's own Premises.		X	
F	Has growth projection been considered in space request?	X		
G	Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98			
	² If not, why not?			

**SPACE SEARCH – WITHIN SERVICE AREA OF ANTELOPE VALLEY CLIENTS
38350 40th STREET WEST, PALMDALE
DEPARTMENT OF HEALTH SERVICES**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAIL
0059	PW Road –Div #551 Maintenance	4859 W Ave L-12 Quartz Hill	1,2501	1,125	OWNED	NONE
D620	Public Library-Quartz Hill	42018 N 50 th St. W., Quartz Hill	3,530	3,291	LEASED	NONE
B636	DPSS Lancaster Office Center	43770 N 15 th Street W, Lancaster	4,020	3,901	LEASED	NONE
A079	Assessor's Regional Office	251 E Avenue K-6, Lancaster	15,338	13,712	LEASED	NONE
A035	Board of Supervisors 5 th District Field Office	1113 W 4 th Street W, Lancaster	1,241	1,164	LEASED	NONE
X511	Antelope Valley Courthouse	42011 4 th St, W, Lancaster	389,000	267,610	FINANCED	NONE
A008	Antelope Valley Service Center	335 A E Avenue K-6, Lancaster	51,000	242,803	LEASED	NONE
A433	Antelope Valley Service Center B	349 A-B E Avenue K-6, Lancaster	51,000	33,932	LEASED	NONE
A492	DPSS Lancaster IHSS Annex	43424 Copeland Cir., Lancaster	2,400	2,280	LEASED	NONE
A192	Probation –Antelope Valley Area	321 E Avenue K-4, Lancaster	6,400	6,000	LEASED	NONE
X495	PW Waterworks North Maintenance Area	260 E Avenue K-8 Between K-8 and K-10, Lancaster	13,200	11,150	OWNED	NONE
A125	Lake Los Angeles Library	16921 E Avenue O, Palmdale	3,245	2,921	LEASED	NONE
A125	Lake Los Angeles Clinic	16921 E Avenue O, Palmdale	2,457	2,211	LEASED	NONE
A380	DPSS Antelope Valley GAIN	1050 E Palmdale Blvd., Palmdale	18,795	17,855	LEASED	NONE
A576	DCFPS Palmdale District Office 4	39959 Sierra Highway, Palmdale	49,500	49,500	LEASED	NONE

**COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE**

TEN-YEAR LEASE

NEGATIVE DECLARATION

I. Location and Description of the Project

The proposed project is for the County of Los Angeles to lease facilities at 38350 40th Street East, Palmdale, California, which will be used by the Department of Health Services for a Primary Care clinic and general administrative functions. The facility, located in the Fifth Supervisorial District approximately 74 miles from the Los Angeles Civic Center, includes 28,080 square feet of medical office space. The Department shall have use 20,480 square feet of medical office space and 80 off-street parking spaces for staff and available parking for visitors. The Landlord plans to pave an additional parking area to accommodate the future needs if any of the user, but has no expansion plans beyond the scope of this project.

II. Finding of No Significant Effect

Based on the attached initial study, it has been determined that the project will not have a significant effect on the environment.

III. Mitigation Measures

None required.

ORIGINAL FILED

MAR 15 2007

LOS ANGELES, COUNTY CLERK

INITIAL STUDY

I. Location and Description of Project

These proposed leased premises are located at 38350 40th Street East, Palmdale, located in the Fifth Supervisorial District approximately 74 miles northeast of the Los Angeles Civic Center and 6 East of the 14 freeway. (See attached map)

The building to be used is owned by Antelope Valley Hospital District and is intended for use as medical office space. Located at the site are 80 exclusive off-street parking spaces for Health Services' use and ample public parking located within the on-site parking lot and surrounding area.

This project consists of leasing this facility for 5 years in which will be located Department of Health Services' offices. It is anticipated that an average of 80 employees will be occupying the premises with the maximum employee occupancy anticipated to be 100 per day. In addition to the employees, it is anticipated that an average of 140 members of the public per day will be visiting the facility for normal health related services and administrative purposes. Additionally, interior tenant improvements and furnishings, will be performed for this project.

II. Compatibility with General Plan

This project site is currently designated as medical office use in the City of Palmdale General Plan as commercial. The proposed project would be consistent with these designations.

III. Environmental Setting

The project site is located in an area of sparse residential and commercial type facilities. The site includes approximately 95,396 square feet of developed property. The site is bordered by vacant land on the south and east sides, Palmdale Boulevard on the north side, and 40th Street East on the west side.

IV. Identification of Environmental Effects

- A. The impact of the proposed project on existing land forms will be negligible as no reshaping of the soil nor excavation nor foundations, utility lines, sewer lines or water lines is anticipated.
- B. The project will not conflict with adopted environmental plans and goals of the City of Palmdale.

- C. The project will not have a substantial demonstrable negative aesthetic effect on the site. The existing facility will be continued to be maintained as part of the lease arrangement.
- D. No rare or endangered species of animal or plant or the habitat of the species will be affected by the project. Nor will it interfere substantially with the movement of any resident fish or wildlife species or migratory fish or wildlife species.
- E. The project will not breach published national, state or local standards relating to solid waste or litter control.
- F. Development will not substantially degrade water quality, contaminate water supply, substantially degrade or deplete ground water resources, or interfere substantially with ground water recharge.
- G. There are no known archeological sites existing at the project site.
- H. The proposed project will not induce substantial growth or concentration of population.
- I. The project will not cause a substantial increase to existing traffic. Nor will it affect the carrying capacity of the present street system. This is a government use of private property for legal services purposes. The County's use is in conformance with uses approved by the City of Palmdale.
- J. The project will not displace any persons from the site.
- K. The project will not substantially increase the ambient noise levels to adjoining areas. Noise generated by the proposed County use does not exceed that previously experienced in the area when occupied by private tenants.
- L. The proposed developed project will not cause flooding, erosion or siltation.
- M. The project will not expose people or structures to major geologic hazards.
- N. The project will not expend a sewer trunk line. All necessary utilities are available currently to the facility.
- O. No significant increased energy consumption is anticipated by the County's use of the premises as compared to previous uses.

- P. The project will not disrupt or divide the physical arrangement of established community; nor will it conflict with established recreational, educational, religious or scientific uses of the area.
- Q. No public health or safety hazard or potential public health or safety hazard will be created by this project.
- R. The project will not violate any ambient air quality standard, contribute substantially to an existing or projected air quality violation, or expose sensitive receptors to substantial pollutant concentrations.

V. Discussions of Ways to Mitigate Significant Effects

The proposed project is not expected to create any significant effects on the environment. To mitigate any effects upon the surrounding community the following measures will be implemented:

- A. None Required.

VI. Initial Study Preparation

This study was prepared by Thomas Shepos of the Los Angeles County Chief Administrative Office, Real Estate Division. This study was completed on March 7, 2007.

NEGATIVE DECLARATION

Department Name: Health Services
Project: Primary Care Clinic and Administrative Services

Pursuant to Section 15072, California Environmental Quality Act and California Administrative Code Title 14, Division 6

1. Description of Project

The leasing of existing office space in an existing medical office building to be used by the County of Los Angeles, Department of Health Services as a health clinic and administrative offices.

2. a. Location of Project (plot plan attached)

38350 40th Street East
Palmdale, CA 93552

b. Name of Project Proponent

County of Los Angeles
Chief Administrative Office
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012

3. Finding for Negative Declaration

It has been determined that this project will not have a significant effect on the environment based on information shown in the attached Environmental Information Form dated March 7, 2007 which constitutes the Initial Study of this project.

4. Initial Study

An Initial Study leading to this Negative Declaration has been prepared by the Chief Administrative Office and is attached hereto.

5. Mitigation Measures Included in Project

None required.

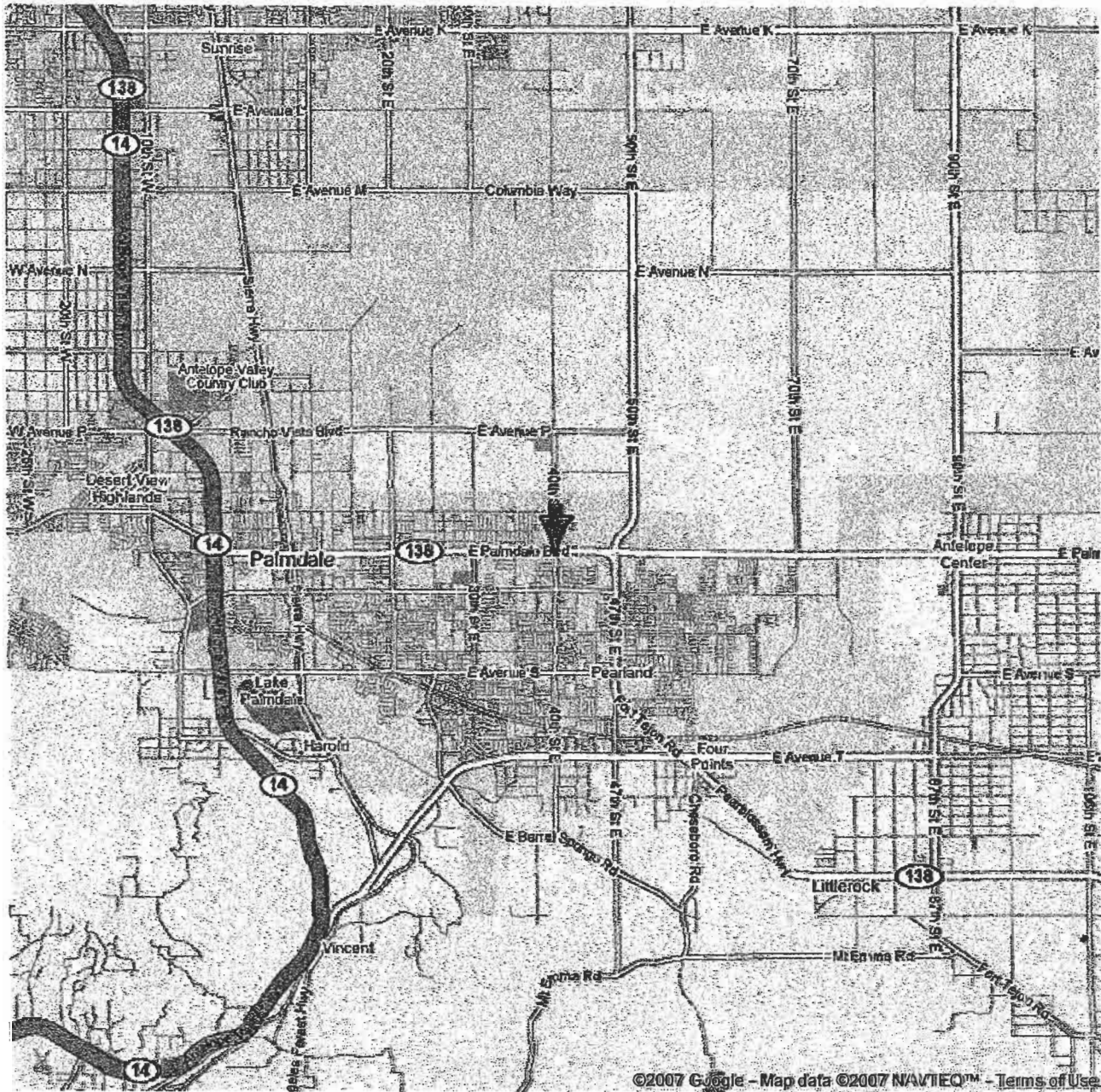
Date
March 7, 2007

Real Property Agent
Thomas Shepos

Telephone
(213) 974-4364



Address **38350 40th St E**
Palmdale, CA 93552



DATE POSTED – March 22, 2007

NOTICE OF PREPARATION OF NEGATIVE DECLARATION

This notice is provided as required by the California Environmental quality Act and California Administrative Code Title 14 Division 6, Section 15072 (a) (2) B.

A Negative Declaration has been prepared for this site based on an Initial Study which consists of completion and signing of an Environmental Information Form showing background information as follows:

1. Name of Proponent - County of Los Angeles
Chief Administrative Office
2. Address/Phone No. - 222 South Hill Street, 3rd Floor
Los Angeles, California 90012
3. Date Information Form Submitted – March 7, 2007
4. Agency Requiring Information Form - Los Angeles County
Chief Administrative Office
Real Estate Division
5. Name of Proposal, if Applicable -
6. Address of Facility Involved – 38350 40th Street East
Palmdale, CA 93552

Interested parties may obtain a copy of the Negative Declaration and the completed Environmental Information Form/Initial Study by contacting the Real Property Agent indicated under 2 above and referring to the proposal by name or to the facility by address.

Si necesita informacion en espanol, por favor de comunicarse con Carlos Marquez, para asistencia en obtener una traduccion al numero (213) 974-4163.

ORIGINAL FILED

MAR 15 2007

LOS ANGELES, COUNTY CLERK

**COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE
LEASE AGREEMENT**

DEPARTMENT: HEALTH SERVICES, as Tenant

**LANDLORD: ANTELOPE VALLEY HOSPITAL DISTRICT, a CALIFORNIA
HEALTH CARE DISTRICT**

38350 40th STREET, PALMDALE

March 14, 2007

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1 COUNTY OF LOS ANGELES
2 CHIEF ADMINISTRATIVE OFFICE
3 LEASE AGREEMENT

4 THIS LEASE AND AGREEMENT, made and entered into in duplicate original
5 as of the 1st day of April, 2007, by and between Antelope Valley Health Care District,
6 a California public health care district ("Landlord"), and COUNTY OF LOS ANGELES,
7 a body politic and corporate ("Tenant").

8 Landlord and Tenant agree:

9 1. BASIC LEASE INFORMATION. The following terms as used herein shall
10 have the meanings provided in this Section 1, unless otherwise specifically modified by
11 provisions of this Lease:

(a) Landlord's Address for
Notice:

Antelope Valley Health Care District
1600 Avenue J,
Lancaster, CA 93534
Off (661) 949-5000 Fax (661) 949-5

(b) Tenant's Address for Notice:

Board of Supervisors
Kenneth Hahn Hall of Administration,
Room 383
500 West Temple Street
Los Angeles, California 90012
With a copy to:
Chief Administrative Office
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Director of Real Estate
Fax Number: (213) 217-4971

(c) Premises:

A) Premises No.1 which is approximately
14,408 rentable square feet on the first (1st)
floor excluding common area.

B) Premises No.2 which is approximately
6,072 rentable square feet consisting of the
North half of the 2nd floor,

A total of approximately 20,480 rentable
square feet in the Building (defined below) as
shown on Exhibit A attached hereto

- (d) Building: The building located at 38350 40th Street West, Palmdale which is located upon the real property described more particularly in Exhibit B attached hereto (the "Property");
- (e) Term: 10 years commencing thirty (30) days after Tenant's Acceptance of the Premises No. 2 as defined in Section 4(a) (the "Commencement Date"); and terminating at midnight on the day before the 10th anniversary of the Commencement Date (the "Termination Date"), subject to earlier termination by Tenant as provided herein. The phrase "Term of this Lease" or "the Term hereof" as used in this Lease, or words of similar import, shall refer to the Term of this Lease.
- (f) Projected Commencement Date: August 1, 2007
- (g) Commencement Date: The Commencement Date shall be the date fifteen (15) days after Tenant's Acceptance of the Premises as defined in Section 4.
- (h) Irrevocable Offer Expiration Date: July 1, 2007
- (i) Basic Rent: Premises No.1 \$19,450.80 per month (which is based upon a rental rate of \$1.35 per rentable square foot (adjustable as provided in Section 2(b) hereof and for CPI changes as set forth in Section 5.2 hereof.)

Premises No.2 \$8,197.20 per month (which is based upon a rental rate of \$1.35 per rentable square foot (adjustable only as provided in Section 2(b) hereof and for CPI changes as set forth in Section 5.2 hereof.)
- (j) Intentionally deleted.
- (k) Rentable Square Feet in the Premises: 20,480
- (l) Use: Clinic and medical office use or for any other

lawful purposes not incompatible with other uses in the Building.

- (m) Initial Departmental Use: DHS medical clinics
- (n) Parking Spaces: 80
- (o) Normal Working Hours: Twenty Four Hours per Day, Seven Days per Week, Three Hundred Sixty Five (365) days per year
- (p) Asbestos Report: A report dated _____ prepared by _____, a licensed California Asbestos contractor.

1.2 Defined Terms Relating to Landlord's Work Letter

- (a) Base Tenant Improvement Allowance \$8.00 per square foot on 14,408 sf or \$115,264
\$65.00 per square foot on 6,072 sf or \$394,680
- (b) Additional Tenant Improvement Allowance \$25.00 per square foot on 6,072 or \$151,800
- (c) Maximum Change Order Allowance \$50,000
- (d) Additional Tenant Improvement and Change Order Amortization Rate: 9% per annum
- (e) Basic Rent Reduction Zero and 0 /100 Dollars (\$0.00) per month
- (f) Tenant's Work Letter Representative Thomas Shepos and /or assigned staff person at the Chief administrative Office –RE Division to act on behalf of the Tenant.
- (g) Landlord's Work Letter Representative Leslie Wong
- (h) Landlord's Address for Work Letter Notice 1600 Avenue J, Lancaster, CA 93534
Off (661) 949-5000
- (i) Tenant's Address for Workletter Notice Board of Supervisors
Kenneth Hahn Hall of Administration,
Room 383
500 West Temple Street
Los Angeles, California 90012
With a copy to:

Chief Administrative Office
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Director of Real Estate
Fax Number: (213) 217-4971

1.3 Exhibits to Lease:

Exhibit A - Floor Plan of Premises
Exhibit B- Legal Description of Property
Exhibit C - Commencement Date
Memorandum and Confirmation of Lease
Terms
Exhibit D - HVAC Standards
Exhibit E - Cleaning and Maintenance
Schedule (Common Areas)

1.4 Landlord's Work Letter:
(executed concurrently with this Lease and
made a part hereof by this reference):

Landlord's Work Letter
Addendum A: Base Building Improvements
Addendum B: Tenant Improvements
Addendum C: Form of Budget
Addendum D: Costs of Tenant Improvements
Addendum E: Parking Lot Location

1.5 Supplemental Lease
Documents: (delivered to Landlord and made
a part hereof by this reference):

Document I: Subordination, Non-disturbance
and Attornment Agreement
Document II: Tenant Estoppel Certificate
Document III: Community Business
Enterprises Form
Document IV: Memorandum of Lease
Document V: Request for Notice

1

2 2. PREMISES

3 (a) Landlord does hereby lease to Tenant, and Tenant does hereby lease
4 from Landlord, upon the terms and conditions herein set forth, the Premises described in
5 Section 1 and Exhibit A attached hereto.

6 (b) Tenant shall have the right within ninety (90) days of approval of this
7 Lease by the Board of Supervisors of the County of Los Angeles ("Board of
8 Supervisors") to field-measure and verify the exact footage of the Premises and/or the
9 Building All measurements shall be taken in accordance with the methods of measuring
10 rentable/usable area as described in the Standard Method for Measuring Floor Area in
11 Office Buildings, ANSI Z65.1-1996, as promulgated by the Building Owners and
12 Managers Association ("BOMA") International except that no penthouse mechanical
13 room space shall be included in the measurement. Should this measurement be less than

1 the square footage stated above, Tenant shall have the right to adjust such square footage
2 and reduce the Basic Rent in Section 1 accomplished by the mutual execution of a
3 memorandum of understanding between the Landlord and the Tenant. Landlord
4 acknowledges the space has been marketed at the above-indicated rental amount and in
5 the event of subsequent physical measurements, Landlord agrees there will be no
6 adjustment made to either the square footage or the Basic Rent in the event the measured
7 square footage exceeds the amount represented by Landlord. Should Landlord and
8 Tenant not agree with respect to the results of the measurement conducted pursuant to
9 this subsection (b) Landlord shall appoint an independent firm or person who is
10 experienced in making such measurements whose determination with respect which
11 measurement is correct shall be final and binding upon the parties. Landlord and Tenant
12 shall share equally in the fees of such firm.

13 3. COMMON AREAS. Tenant may use the following areas ("Common Areas")
14 in common with Landlord and other tenants of the Building: the entrances, lobbies and
15 other public areas of the Building, walkways, landscaped areas, driveways necessary for
16 access to the Premises, parking areas and other common facilities designated by Landlord
17 from time to time for common use of all tenants of the Building. Tenant shall comply
18 with all reasonable, non-discriminatory rules and regulations regarding the use of the
19 Common Areas, whether established by Landlord as of the date of this Lease or at any
20 time during the Term hereof.

21 4. COMMENCEMENT AND EXPIRATION DATES

22 (a) Term. The Term of this Lease shall commence for Premises No.1 and
23 Premises No. 2 upon the Commencement Date (as set forth in Exhibit C
24 ("Commencement Date Memorandum and Confirmation of Lease Terms")) and
25 terminate ten (10) years thereafter ("the Termination Date"). Within thirty (30) days of
26 the Commencement Date, Landlord and Tenant shall acknowledge in writing the
27 Commencement Date by executing the Commencement Date Memorandum and
28 Confirmation of Lease Terms attached as Exhibit C. The Commencement Date shall be
29 the date fifteen (15) days after Tenant's Acceptance of the Premises. The term "Tenant's
30 Acceptance of the Premises" as used in this Lease shall mean the date upon which the
31 Tenant Improvements generally described in the Work Letter for Premises No. 2 are
32 Substantially Complete, Tenant has inspected the Premises and Tenant has accepted the
33 Premises. The terms "Substantially Complete" or "Substantial Completion" as used in
34 this Lease shall mean compliance with all of the following: (1) the shell and core of the
35 Building are complete and in compliance with all applicable laws and codes, and all of
36 the building systems are operational to the extent necessary to service the Premises; (2)
37 Landlord has sufficiently completed all the work required to be performed by Landlord in
38 accordance with this Lease, including the installation of modular furniture systems, if so
39 required (except minor punch list items which Landlord shall thereafter promptly
40 complete), such that Tenant can conduct normal business operations from the Premises
41 No. 2 ; (3) Landlord has obtained a certificate of occupancy for the Building, or a
42 temporary certificate of occupancy for that portion of the Building that includes all of the
43 Premises, or its equivalent; (4) Tenant has been provided with the number of parking
44 privileges and spaces to which it is entitled under this Lease; and (5) if Landlord is

1 responsible for the installation of telecommunication systems, then such systems shall be
2 completely operational.

3 (b) Termination Right. If the Commencement Date has not occurred
4 within sixty (60) days from the Projected Commencement Date, subject to extensions of
5 time for Tenant Delays or Force Majeure Delays as provided in Landlord's Work Letter,
6 which has been executed concurrently herewith, Tenant may within thirty (30) days of
7 the Projected Commencement Date, terminate this Lease effective by giving written
8 notice to Landlord within such thirty (30) day period and the parties shall have no further
9 obligations to one another hereunder.

10 (c) Early Possession. Tenant is accepting Premises No. 1 as a tenant
11 currently in possession and in its "AS-IS" condition with "all faults" as of the date of this
12 Lease. Tenant shall be entitled to possession of Premises No. 2 not less than thirty (30)
13 days prior to the Commencement Date for the purpose of installing Tenant's furniture,
14 fixtures and equipment in the Premises. Such early occupancy shall be subject to all
15 provisions hereof but shall not advance the Termination Date, and Tenant shall not pay
16 Basic Rent for such early occupancy period, provided that Tenant's use of Premises No. 2
17 is limited to installation of Tenant furniture, furnishings and equipment therein.

18 (d) Early Termination. Tenant shall have the right to terminate this Lease
19 as of a date occurring anytime after the 8th anniversary of the Commencement Date, as
20 defined in Section 1, by giving Landlord not less than one hundred-eighty (120) days
21 prior advance written notice executed by the Chief Administrative Officer of Tenant or
22 its delegee ("Chief Administrative Officer")

23 5. RENT 5.1 Basic Rent. Tenant shall pay Landlord the Basic Rent
24 stated in Section 1 during the Term hereof within fifteen (15) days after a claim therefor
25 for each such month has been filed by Landlord with the Auditor of the County of Los
26 Angeles (the "County") prior to the first day of each month. Basic Rent for any partial
27 month shall be prorated in proportion to the number of days in such month.

28 5.2 Basic Rent Adjustment. The Basic Rent provided for in Section 1.i
29 of this Lease shall be subject to adjustment on the first (1st) anniversary of the lease year
30 and each lease year thereafter, including any option period under this Lease (the
31 "Adjustment Date") as follows:

32 On each Adjustment Date the initial Basic Rent set forth in Section 1.i of the
33 Lease shall increase by the United States Department of Labor, Bureau of labor
34 Statistics Consumer Price Index for All Urban Consumers, Los
35 Angeles/Anaheim/Riverside Average, Subgroup "All Items" (1982 - 84 = 100)
36 increases over the "Basic Index". The Basic Index shall be the Index for the
37 calendar month in publication four (4) months before the Commencement Date.
38 The "Comparison Index" shall be the Index for the calendar month in publication
39 four (4) months before each Adjustment Date. As of each Adjustment Date, the
40 Basic Rent during the ensuing twelve-month period shall be determined by
41 increasing the initial Basic Rent by a percentage equal to the percentage of

1 increase, if any, in the applicable Comparison Index over the Basic Index. If the
2 percentage of increase for any Adjustment Date is less than 3%, then the Basic
3 Rent for the ensuing twelve (12) month period shall be increased by 3%. If the
4 percentage increase for any Adjustment Date is greater than 6%, then the Basic
5 Rent for the ensuing twelve (12) month period shall be increased by 6%.

6 If at any Adjustment Date the Index no longer exists in the form described in this
7 Lease, Landlord may substitute any substantially equivalent official index
8 published by the Bureau of Labor Statistics or its successor. Landlord shall use
9 any appropriate conversion factors to accomplish such substitution. The
10 "Substitute Index" shall become the Index hereunder.

11 6. USES. The Premises are to be used only for the uses set forth in Section 1
12 and for no other business or purpose without the express written consent of Landlord;
13 however, Landlord shall not unreasonably withhold its consent to a change of use.
14 Tenant's use and occupancy shall be in such a manner so as not to interfere with or
15 infringe upon the rights of other tenants, occupants or invitees of tenants/occupants of the
16 Building. Tenant shall not do, nor permit to be done, anything which invalidates or
17 increases the costs of any fire and extended coverage insurance policy covering the
18 Building and/or the property upon which the Building is situated. Tenant shall comply
19 with all rules, orders, regulations and requirements of any organization which set
20 standards, requirements or recommendations commonly referred to by major fire
21 insurance underwriters, provided that Landlord has furnished Tenant with copies thereof.
22 Tenant shall promptly reimburse Landlord for any additional premium charges for any
23 such insurance policy assessed or increased by reason of Tenant's failure to comply with
24 the foregoing.

25 7. HOLDOVER. If Tenant remains in possession of the Premises or any part
26 thereof after the expiration of the Term of this Lease, such occupancy shall be a tenancy
27 which is terminable only upon sixty (60) days written notice from Landlord to the Chief
28 Administrative Officer of the Tenant or sixty (60) days written notice from the Chief
29 Administrative Officer of Tenant to the Landlord. During such hold over, the monthly
30 rent due from Tenant shall be an amount equal to one hundred twenty-five percent
31 (125%) of the last monthly Basic Rent payable under this Lease for the month
32 immediately preceding the month in which the Term expires (as such Basic Rent may be
33 adjusted from time to time in accordance with this Lease) plus all other charges payable
34 under this Lease, and subject to all of the terms, covenants and conditions of this Lease.
35 If Landlord and Tenant are, in good faith, negotiating an extension of the Lease, the
36 current monthly base rent shall remain in effect and shall not increase by twenty-five
37 percent (25%) as set forth above and provided that: (a) Landlord and Tenant shall have
38 concluded such negotiations and entered into a binding and enforceable agreement to
39 extend the Term of this Lease within sixty (60) days of the expiration of the Term; and
40 (b) the Landlord shall have the sole and exclusive discretion to determine whether or not
41 there are good faith negotiations to extend the Term of this Lease. The provisions of this
42 Section 7 notwithstanding, the provisions of this Section 7 shall not be construed as
43 consent of the Landlord to any holding over of the Premises by Tenant and Landlord
44 expressly requires the Tenant to surrender the Premises to Landlord as provided for by

1 the terms of this Lease upon expiration of the Term or the earlier termination of this
2 Lease. If Tenant fails to surrender possession of the Premises to Landlord upon
3 expiration of the Term or the earlier termination of this Lease, Tenant agrees to
4 indemnify, defend and hold harmless Landlord from all costs, losses, expenses or liability
5 arising therefrom, including without limitation, claims made by any succeeding tenant,
6 real estate agent/broker and/or attorneys fees and other legal costs incurred by Landlord
7 as a result of such failure of Tenant to surrender the Premises.

8 8. COMPLIANCE WITH LAWS. Tenant shall, at Tenant's expense, comply
9 promptly with all applicable statutes, ordinances, rules, regulations, orders and
10 requirements in effect during the Term hereof, regulating the use, occupancy or
11 improvement of the Premises by Tenant. Landlord, not Tenant, shall, at its sole cost, at
12 all times cause the Premises and the Building to comply with all applicable statutes,
13 ordinances, rules, regulations, orders and requirements in effect and binding upon Tenant
14 or Landlord during the Term hereof, including without limitation, the Americans with
15 Disabilities Act, except to the extent such compliance is made necessary as a result of
16 Tenant's particular use of or alterations or improvements to the Premises.

17 9. DAMAGE OR DESTRUCTION.

18 (a) Damage. In the event any portion of the Premises is damaged by fire
19 or any other cause rendering the Premises totally or partially inaccessible or unusable and
20 the Premises may be restored to a complete architectural unit of the same value, condition
21 and character that existed immediately prior to such casualty in less than one hundred
22 eighty (180) days, then Landlord shall promptly, at Landlord's expense, repair such
23 damage and this Lease shall continue in full force and effect. If all or any portion of the
24 Premises shall be made untenable by fire or other casualty, Landlord shall
25 immediately secure the area to prevent injury to persons and/or vandalism to the
26 improvements. Landlord shall promptly, but in any event within twenty (20) days of an
27 event of damage or destruction to the Premises, cause an architect or general contractor
28 selected by Landlord to provide Landlord and Tenant with a written estimate of the
29 amount of time required to substantially complete the repair and restoration of the
30 Premises and make the Premises tenantable again using standard working methods. The
31 foregoing notwithstanding, the time for Landlord to obtain such estimate shall be
32 extended for such duration as is reasonable under the then existing circumstances. The
33 failure to do so shall be a material Default hereunder. Basic Rent shall abate to the extent
34 that the Premises are unusable by Tenant. Tenant waives the provisions of California
35 Civil Code Sections 1932(2) and 1933(4) with respect to any partial or total destruction
36 of the Premises.

37 (b) Tenant Termination Right. In the event any portion of the Premises is
38 damaged by fire or any other cause rendering the Premises totally or partially
39 inaccessible or unusable and the Premises will not be restored to a complete architectural
40 unit of the same value, condition and character that existed immediately prior to such
41 casualty in less than one hundred eighty (180) days for any reason, then Tenant may
42 terminate this Lease by giving written notice within ten (10) days after notice from
43 Landlord specifying such time period of repair; and this Lease shall terminate and the

1 Basic Rent shall be abated from the date the Premises became untenable. In the event
2 that Tenant does not elect to terminate this Lease, Landlord shall promptly commence
3 and diligently prosecute to completion the repairs to the Building or Premises, provided
4 insurance proceeds, less any deductible, are available to repair the damages.

5 (c) Damage In Last Year. Notwithstanding the foregoing provisions, if
6 any material destruction to the Premises occurs during the last year of the Term, either
7 Landlord or Tenant may terminate this Lease by giving notice to the other not more than
8 thirty (30) days after such destruction, in which case (a) Landlord shall have no
9 obligation to restore the Premises, (b) Landlord may retain all insurance proceeds relating
10 to such destruction, and (c) this Lease shall terminate as of the date which is thirty (30)
11 days after such written notice of termination.

12 (d) Default By Landlord. If Landlord is required to repair and restore the
13 Premises as provided for in this Section and Landlord should fail to thereafter pursue said
14 repair and restoration work with reasonable diligence to completion, Tenant may (a)
15 declare a default hereunder or (b) perform or cause to be performed the restoration work
16 and deduct the cost thereof plus interest thereon at ten percent (10%) per annum, from the
17 Basic Rent next due as a charge against the Landlord.

18 10. REPAIRS AND MAINTENANCE.

19 (a) Landlord Representations. Landlord represents to Tenant that (i) the
20 Premises, the Building and all Common Areas (including electrical, heating, ventilating
21 and air conditioning ("HVAC"), mechanical, plumbing, gas and fire/life safety systems in
22 the Building and similar building service systems) comply with all current laws, codes,
23 and ordinances, including use the Americans With Disabilities Act; and are in reasonable
24 good working order and condition; (ii) the Building and Premises comply with all
25 covenants, conditions, restrictions and underwriter's requirements; and (iii) the Premises,
26 Building and Common Areas are free of the presence of any Hazardous Materials (as
27 hereinafter defined) and (iv) Landlord has not received any notice from any governmental
28 agency that the Building or the Premises are in violation of any law or regulation.
29 Landlord represents, based upon a professional inspection of the Premises and the
30 Building and the Asbestos Report that the Premises and the Building contain no asbestos
31 containing materials (other than as may be reflected in the Asbestos Report). Landlord
32 shall, prior to Tenant's occupancy, abate, at Landlord's sole cost and expense, all asbestos
33 containing materials to the extent required by law and provide Tenant with an updated
34 report from a licensed California Asbestos contractor to that effect.

35 (b) Landlord Obligations. Landlord shall keep and maintain in good
36 repair and working order and promptly make repairs to and perform maintenance upon
37 and replace as needed: (i) the structural elements of the Building, including without
38 limitation, all permanent exterior and interior walls, floors and ceilings, roof, concealed
39 plumbing, stairways, concealed electrical systems and telephone intrabuilding network
40 cable (ii) mechanical (including HVAC), electrical, plumbing and fire/life safety systems
41 serving the Building (iii) the Common Areas; (iv) exterior windows of the Building; and
42 (v) elevators serving the Building. Tenant, at its sole cost and expense, shall perform all

1 maintenance and repairs to the Premises, and shall keep the Premises in good condition
2 and repair, reasonable wear and tear excepted. Tenant's repair obligations include,
3 without limitation, repairs to: (1) the floor covering; (2) interior partitions; (3) doors; (4)
4 the interior side of demising walls (5) exposed plumbing and signage and (6) medical gas
5 system, oxygen, medical air and suction units. Without limiting the foregoing, Tenant
6 shall, at Tenant's sole expense, be responsible for the cost of repairing any area damaged
7 by Tenant or Tenant's agents, employees, invitees and visitors and the repair of low
8 voltage electronic, phone and data cabling and related equipment that is installed by or
9 for the exclusive benefit of Tenant. All repairs and replacements to the Premises by
10 Tenant shall: (a) be made and performed by contractors or mechanics approved by
11 Landlord, which consent shall not be unreasonably withheld or delayed, (b) be at least
12 equal in quality, value and utility to the original work or installation, (c) be in accordance
13 with all laws.

14 (c) Tenant's Right to Repair. If Tenant provides written notice (or oral
15 notice in the event of an emergency such as damage or destruction to or of any portion of
16 the Building structure and/or the Building systems and/or anything that could cause
17 material disruption to Tenant's use and occupancy of the Premises) to Landlord of an
18 event or circumstance which is an express obligation of the Landlord under this Lease to
19 repair and/or maintain, and Landlord fails to provide such action within a reasonable
20 period of time, given the circumstances, after the giving of such notice, but in any event
21 not later than five (5) days after the giving of such notice, then Tenant may proceed to
22 take the required action (provided, however, that no such notice shall be required in the
23 event of an emergency which threatens life or where there is imminent danger to property
24 or a possibility that a failure to take immediate action could cause a material disruption in
25 Tenant's use and occupancy of the Premises). Tenant shall have access to the Building to
26 the extent necessary to perform the work contemplated by this provision. If such action
27 was required under the terms of this Lease to have been taken by Landlord and was not
28 taken by Landlord within such period (unless such notice was not required as provided
29 above), and Tenant took such required action, then Tenant shall be entitled to prompt
30 reimbursement by Landlord of Tenant's reasonable costs and expenses in having taken
31 such action plus interest thereon at ten percent (10%) per annum. If not reimbursed by
32 Landlord within ten (10) days, Tenant shall be entitled to deduct from Basic Rent payable
33 by Tenant under this Lease the amount set forth in its invoice for such work. The
34 remedies provided in this Section are in addition to the remedies provided in Section 14.

35 11. SERVICES AND UTILITIES.

36 Landlord shall furnish the following services and utilities to the Premises:

37 (a) HVAC. Landlord shall furnish heating, ventilation and air
38 conditioning ("HVAC"), during Normal Working Hours in amounts required for the use
39 and occupancy of the Premises for normal office purposes to a standard comparable to
40 other first-class buildings within a five (5) mile radius of the Building.

41 (b) Electricity. Landlord shall furnish to the Premises the amount of
42 electric current provided for in the Working Drawings but in any event not less than

1 seven (7) watts of electric current (connected load) per square foot of Rentable Square
2 Feet in the Premises, for power and lighting and electric current for HVAC, and Landlord
3 shall provide the existing or new transformers or subpanels on each floor of the Premises
4 necessary for Tenant to utilize such capacity in the Premises. Landlord shall not be
5 deemed in default of its obligations hereunder if electrical power service is discontinued,
6 disrupted, limited or unavailable for any reason other than the Landlord's failure to pay
7 for undisputed electrical power service charges when such charges are due.

8 (c) Elevators. Landlord shall furnish passenger elevator services to the
9 Premises during Normal Working Hours. During all other hours, Landlord shall furnish
10 passenger elevator cab service in the elevator bank serving the Premises on an as needed
11 basis. By prior arrangement with Landlord's building manager, Tenant may use the
12 passenger elevator for freight; provided that Tenant's use of the passenger elevator for
13 freight purposes shall be limited or conditioned in the sole reasonable discretion of the
14 Landlord..

15 (d) Water. Landlord shall make available water for normal lavatory and
16 potable water meeting all applicable governmental standards for drinking purposes in the
17 Premises.

18 (e) Janitorial. Landlord shall provide janitorial service on seven (7) nights
19 per week generally consistent with that furnished in comparable office buildings within a
20 five (5) mile radius of the Building, but not less than the services set forth in the
21 specifications set forth in Exhibit E attached hereto for all Common Areas.

22 Notwithstanding the above, Tenant agrees to pay when due all charges for the
23 consumption of the electricity and gas in connection with the Premises during the Term
24 of the Lease or any renewal, extension, or holdover thereof. Additionally, Tenant shall
25 provide its own janitorial service and all necessary janitorial supplies for the Premises
26 The Tenant's janitorial services shall be provided seven (7) days per week, covering the
27 entirety of the Premises and conforming to the specifications set forth in Exhibit E to this
28 Lease.

29 (f) Access. Landlord shall furnish to Tenant's employees and agents with
30 access to the Building, Premises and Common Areas on a seven (7) day per week,
31 twenty-four (24) hour per day basis, subject to compliance with such reasonable security
32 measures as shall from time to time be in effect for the Building. The foregoing
33 notwithstanding, between the hours of 7:00 P.M. and 6:00 A.M., Mondays through
34 Fridays and at all times on Saturdays, Sundays and holiday days, the Tenant and its
35 employees and agents may access portions of the Building other than the Premises and
36 the Common Areas for the limited, sole and exclusive purpose of ingress and egress
37 to/from the Premises.

38 12. LANDLORD ACCESS. Tenant shall permit Landlord and its agents to enter
39 the Premises upon prior written notice for the purpose of inspecting the Premises for any
40 reasonable purpose. If Landlord temporarily closes any portion of the Building or
41 Premises, Basic Rent shall be prorated based upon the percentage of the Premises or

1 Building rendered untenable and not used by Tenant. Landlord shall have the right at
2 any and all times and without prior notice to the Tenant to enter the Premises in the event
3 of an emergency.

4 13. TENANT DEFAULT.

5 (a) Default. The occurrence of any one or more of the following events
6 (a "Default") shall constitute a material default and breach of this Lease by Tenant:

7 (i) the failure by Tenant to make any payment of Basic Rent or
8 any other payment required to be made by Tenant hereunder (except to the extent an
9 offset is expressly permitted hereunder), as and when due and if the failure continues for
10 a period of ten (10) days after written notice to Tenant;

11 (ii) the failure by Tenant to observe or perform any of the other
12 covenants, conditions or provisions of this Lease, where such failure shall continue for a
13 period of thirty (30) days after written notice from Landlord specifying in detail the
14 nature of the default; provided, however, if more than thirty (30) days are reasonably
15 required for its cure then Tenant shall not be deemed to be in default if Tenant
16 commences such cure within said 30-day period and thereafter diligently prosecutes such
17 cure to completion.

18 (b) Landlord Rights. Tenant agrees that if a Default should occur and
19 should not be cured within the time periods set forth above, Landlord may exercise any or
20 all of its remedies available at law or under this Lease, including without limitation, the
21 remedy provided for by Civil Code §1951.4 (Landlord may continue lease in effect after
22 Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has the
23 right to sublet or assign, subject only to reasonable limitations), termination of the Lease,
24 re-entering the Premises and removing all persons and property therefrom (the Landlord
25 may store property removed from the Premises at a warehouse at the expense and risk of
26 Tenant). Landlord's re-entry to the Premises to maintain or preserve the Premises or
27 property therein shall not be deemed to terminate Tenant's right of possession of the
28 Premises or any portion thereof, unless Landlord notifies Tenant in writing of the
29 Landlord's election to terminate the Lease.

30 (c) Landlord Remedies Upon Tenant Default. If Landlord elects to terminate this
31 Lease upon occurrence of a Tenant Default, Landlord shall be entitled to recover from
32 Tenant the aggregate of all amounts permitted by law, including without limitation: (i)
33 the worth at the time of award of the unpaid rent which has been earned at the time of
34 termination; plus (ii) the worth at the time of award of the amount by which the unpaid
35 rent which would have been earned after termination until the time of such award exceeds
36 the amount of such rental loss that the Tenant proves could have reasonably been
37 avoided; plus (iii) the worth at the time of award of the amount by which the unpaid rent
38 for the balance of the term after the time of award exceeds the amount of such rental loss
39 that the Tenant proves could have reasonably been avoided; plus (iv) any other amount
40 necessary to compensate the Landlord for all the detriment proximately caused by the
41 Tenant's failure to perform its obligations under this Lease or which in the ordinary

1 course of things would be likely to result therefrom, including without limitation, tenant
2 improvement expenses/charges/costs, brokerage commissions, advertising expenses, and
3 any concessions made to secure a new tenant for the Premises. The term "rent" as used
4 hereinabove shall be deemed to refer to all amounts of any kind, type or nature to be paid
5 by the Tenant to the Landlord or others under the terms of this Lease. As used
6 hereinabove, the term "worth at the time of award" as used in (i) and (ii) above shall be
7 computed by allowing interest at the rate of the lesser of eighteen percent (18%) per
8 annum or the maximum legal rate of interest. The term "worth at the time of award as
9 used in (iii) above shall be computed by discounting such amount at the discount rate of
10 the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

11 (d) No Effect on Indemnity. Nothing in this Article shall be deemed to
12 affect either Landlord or Tenant's indemnification rights or obligations under any
13 indemnification clause or clauses set forth in this Lease. All such indemnification rights
14 and obligations of Tenant and Landlord shall survive the expiration of the Term or the
15 earlier termination of this Lease, until barred by the applicable statute of limitations.

16 14. LANDLORD DEFAULT.

17 (a) Remedies. ~~For the circumstances not covered by~~ In addition to the
18 provisions for Landlord's default in Sections 9(d), 10(c) 19 and 20(b), Landlord shall be
19 in default in the performance of any obligation required to be performed by Landlord
20 under this Lease if Landlord has failed to perform such obligation within thirty (30) days
21 after the giving of written notice with respect thereto by Tenant); provided, however, that
22 if the nature of such default is such that the same cannot reasonably be cured within such
23 thirty (30) day period, Landlord shall not be deemed to be in default if Landlord shall
24 within such period commence such cure and thereafter diligently prosecute the same to
25 completion. If the default by Landlord ("Landlord Default") is of such a nature that it
26 materially and substantially interferes with Tenant's occupancy and use of the Premises
27 and if such Landlord Default is not cured within the foregoing cure period, then Tenant
28 shall have the right, at its option, with or without further notice or demand of any kind to
29 Landlord or any other person, to any one or more of the following described remedies in
30 addition to all other rights and remedies provided at law or in equity or elsewhere herein:
31 (i) to remedy such default or breach and deduct the costs thereof (including but not
32 limited to attorneys' fees) plus interest at the rate of ten (10%) per annum from the
33 installments of Basic Rent next falling due; (ii) to pursue the remedy of specific
34 performance; (iii) to seek money damages for loss arising from Landlord's failure to
35 discharge its obligations under this Lease or offset such damages against Basic Rent next
36 coming due; or (iv) to terminate this Lease.

37 (b) Waiver. Nothing herein contained shall relieve Landlord from its duty
38 to effect the repair, replacement, correction or maintenance required to restore any
39 affected services, or to perform any other obligations to the standard prescribed in this
40 Lease, nor shall this Section be construed to obligate Tenant to undertake any such work.

41 (c) Emergency. Notwithstanding the foregoing cure period, Tenant may
42 cure any default without notice where the failure promptly to cure such default would, in

1 the reasonable opinion of Tenant, create or allow to persist an emergency condition or
2 materially and adversely affect the operation of Tenant's business in the Premises.

3 15. ASSIGNMENT AND SUBLETTING.

4 (a) General Restrictions. Tenant shall not assign, sublet, or encumber the
5 Premises or this Lease, or any interest herein (whether voluntarily or by operation of
6 law), or allow any other person to use the Premises, without Landlord's prior written
7 consent, which shall not be unreasonably withheld. Any such act without prior written
8 consent shall be voidable at the option of Landlord and shall, at the option of Landlord,
9 terminate this Lease. No such assignment, sublease, encumbrance or sufferance of use
10 shall in any way release Tenant from its obligations under this Lease or otherwise affect
11 such obligations of Tenant to Landlord. The actions of any such assignee, subtenant,
12 lienholder or user of the Premises shall be deemed to be the actions of Tenant and shall
13 be imputed to Tenant for purposes of this Lease.

14 (b) Landlord's Consent. Landlord's consent to a proposed assignment
15 or subletting shall not be unreasonably withheld, but in addition to any other grounds for
16 denial, Landlord's consent shall be deemed reasonably withheld if, in Landlord's good
17 faith and judgment: (i) the proposed assignee or subtenant does not have the financial
18 strength to perform its obligations under this Lease or any proposed sublease; (ii) the
19 business and operations of the proposed assignee or subtenant are not of comparable
20 quality to the business and operations being conducted by other tenants in the Building;
21 (iii) the proposed assignee or subtenant intends to use any part of the Premises for a
22 purpose not permitted under this Lease or which is not compatible with the businesses
23 and other operations of other tenants in the Building; (iv) either the proposed assignee or
24 subtenant, or any person which it directly or indirectly controls, is controlled by, or is
25 under common control with the proposed assignee or subtenant occupies space in the
26 Building, or is negotiating with Landlord to lease space in the Building; (v) the proposed
27 assignee or subtenant is disreputable; (vi) the proposed assignee or subtenant is not
28 licensed under California law to practice as a physician or dentist, or any analogous
29 health profession; (vii) the use of the Premises or the Building by the proposed assignee
30 or subtenant would, in Landlord's reasonable judgment, impact the Building in a negative
31 manner including, but not limited to, significant increases of pedestrian traffic in and out
32 of the Building or require alterations to the Building or the Premises to comply with
33 Applicable Laws; or (viii) Tenant has failed to cure a default at the time Tenant requests
34 consent to the proposed transfer.

35 (c) Definition of Assignment. In the event that Tenant is a partnership,
36 any change in partnership share ownership aggregating more than fifty percent (50%),
37 any addition of new partnership shares aggregating more than one hundred percent
38 (100%) of the original shares, or any combination changing the voting control of the
39 partnership during the term of this Lease, shall be an assignment of the Lease by Tenant.
40 In the event Tenant is a professional corporation, any change of ownership aggregating
41 more than fifty percent (50%) of the stock of Tenant, or the issuance of shares
42 aggregating more than one hundred percent (100%) of the shares existing at the

1 commencement of this Lease, or any combination thereof changing the majority
2 shareholder control of the corporation, shall be an assignment of this Lease by Tenant.

3 (d) Additional Rent. If Landlord consents to any such assignment or
4 subletting, fifty percent (50%) of the amount by which all sums or other economic
5 consideration received by Tenant in connection with such assignment or subletting,
6 whether denominated as rental or otherwise, exceeds, in the aggregate, the total sum
7 which Tenant is obligated to pay Landlord under this Lease (prorated to reflect
8 obligations allocable to less than all of the Premises under a sublease) shall be paid to
9 Landlord promptly after receipt as additional Rent under the Lease without affecting or
10 reducing any other obligation of Tenant hereunder.

11 16. ALTERATIONS AND ADDITIONS.

12 (a) Landlord Consent. Tenant shall not make any alterations,
13 improvements, additions, or utility installations in or about the Premises of any kind, type
14 or nature (collectively, "Alterations") without first obtaining the written consent of
15 Landlord, which consent shall not be unreasonably withheld, conditioned or delayed,
16 provided that the Landlord may limit or condition any consent as set forth herein. Any
17 request of the Tenant for the Landlord consent to Alterations shall be accompanied by a
18 detailed description of the proposed Alterations and plans/specifications/calculations
19 prepared by a licensed California Architect, a registered California Engineer or a
20 qualified employee of the Tenant's Internal Services Department as required by the
21 nature of the Alterations. If Landlord fails to respond in writing within thirty (30) days of
22 such request, Landlord shall be deemed to approve the Alterations. The Tenant shall
23 obtain all necessary permits or approvals for any Alterations consented to by the
24 Landlord. All such Alterations shall be constructed and completed by a licensed
25 California Contractor holding the necessary classification(s) of Contractors License as
26 required by the nature of the Alterations in a workmanlike manner, consistent with
27 applicable industry standards and in conformity with all applicable laws, ordinances,
28 rules or regulations. Landlord shall have the right to require, as a condition, to
29 consenting to any Alterations, that the Tenant obtain and maintain a Builders Risk
30 insurance policy covering the risk of loss, damage or destruction to the Alterations during
31 construction thereof for the full insurable value thereof. If Landlord consents to
32 Alterations, all costs, fees, expenses or charges necessary to complete design and
33 construction of such Alterations shall be borne solely and exclusively by Tenant. Tenant
34 shall afford the Landlord access to the Premises for the posting of Notices of Non-
35 Responsibility in connection with any Alteration(s) consented to by the Landlord. If the
36 Landlord consents to any Alterations, the Landlord shall have the right to charge Tenant
37 with an administrative fee relating to the Alterations in an amount not to exceed five
38 percent (5%) of the construction value or the construction costs of such Alterations. In
39 addition to its obligations of indemnity, defense and hold harmless of the Landlord, set
40 forth elsewhere in this Lease, Tenant shall indemnify, defend and hold harmless Landlord
41 and its employees, officers, agents and representatives from and against all liens, claims
42 of lien or any other liability, claim or demand arising out of or related in any manner to
43 any Alterations. The foregoing shall not apply to initial improvements to the Premises as
44 set forth in the Work Letter incorporated into this Lease.

1 (b) End of Term. The Landlord shall have the right to require Tenant, at
2 its sole costs and expense to remove Alterations upon expiration of the Term or earlier
3 termination of this Lease and to restore the area where Alterations were situated to the
4 condition existing at the commencement of the Term of this Lease, reasonable wear and
5 tear excepted. If Tenant fails or refuses to do so, Landlord may cause such removal and
6 restoration to be completed at the costs and expense of Tenant. Any Alterations not
7 removed by Tenant or Landlord pursuant to the foregoing shall, as of the date of
8 expiration of the Lease or earlier termination of the Lease, become the property of
9 Landlord and remain upon and be surrendered with the Premises at the expiration of the
10 Term or the earlier termination of this Lease.

11 17. CONDEMNATION.

12 (a) Controlling Terms. If during the Term, or during the period of time
13 between the execution of this Lease and the Commencement Date, there is any taking of
14 all or any part of the Premises or any interest in this Lease by Condemnation (as defined
15 below), this Section shall determine the rights and obligations of Tenant and Landlord.
16 "Condemnation" shall mean the exercise of any governmental power to take title to any
17 portion of the Premises, whether by legal proceedings or otherwise, by a Condemnor (as
18 defined below) or a voluntary sale or transfer by Landlord to any Condemnor, either
19 under threat of a Condemnor's exercise of such power or while legal proceedings are
20 pending for the exercise of such power. "Condemnor" shall mean any public or quasi-
21 public authority, or private corporation or individual, having the power of Condemnation.
22 The foregoing notwithstanding and notwithstanding the Tenant's power of
23 Condemnation, Tenant agrees that during the Term of this Lease, Tenant shall not
24 exercise its power of Condemnation with respect to the Building, the Premises or any
25 portions thereof.

26 (b) Total Taking. If the Premises are totally taken by Condemnation, this
27 Lease shall terminate on the date the Condemnor has a right to possession of the Premises
28 (the "Date of Taking").

29 (c) Partial Taking. If any portion, but not all, of the Premises is taken by
30 Condemnation, this Lease shall remain in effect, except that Tenant may elect to
31 terminate this Lease if, in Tenant's reasonable judgment, the remaining portion of the
32 Premises (including the space available for parking) is rendered unsuitable for Tenant's
33 continued use of the Premises. If Tenant elects to so terminate this Lease, Tenant must
34 exercise its right to terminate by giving notice to Landlord within thirty (30) days after
35 the date that the nature and the extent of the Condemnation have been determined (the
36 "Determination Date"), which notice shall set forth the date of termination. Such
37 termination date shall not be earlier than thirty (30) days nor later than ninety (90) days
38 after Tenant has notified Landlord of its election to terminate; except that this Lease shall
39 terminate on the Date of Taking if the Date of Taking falls on a date before the date of
40 termination as designated by Tenant. If Tenant does not so notify Landlord within thirty
41 (30) days after the Determination Date, all obligations of Tenant under this Lease shall
42 remain in effect, except that Basic Rent shall be equitably abated.

1 (d) Restoration. Notwithstanding the preceding paragraph, if, within
2 thirty (30) days after the Determination Date, Landlord notifies Tenant that Landlord at
3 its cost will add to the remaining Premises so that the area of the Premises and the space
4 available for parking, will be substantially the same after the Date of Taking as they were
5 before the Date of Taking, and Landlord commences the restoration promptly and,
6 subject to reasonable allowance for delays that are not caused by Landlord, completes it
7 within ninety (90) days after Landlord so notifies Tenant, this Lease shall continue in
8 effect. All obligations of Tenant under this Lease shall remain in effect, except that Basic
9 Rent shall be equitably abated or reduced during the period from the Date of Taking until
10 the completion of such restoration.

11 (e) Award. The Award (as defined below) shall be divided between
12 Landlord and Tenant as their respective interests may appear. "Award" shall mean all
13 compensation, sums or anything of value awarded, paid or received on a total or partial
14 Condemnation of the Premises.

15 (f) Waiver of Statute Landlord and Tenant hereby waive the provision of
16 California Code of Civil Procedure Section 1265.130 allowing Landlord or Tenant to
17 petition the superior court to terminate this Lease in the event of a partial taking of the
18 Premises.

19 18. INDEMNIFICATION.

20 (a) Tenant's Indemnity. Tenant shall indemnify, defend and hold
21 Landlord harmless from and against all loss, cost and expense, including attorneys' fees,
22 arising from any injury or damage to any person or property, occurring in or about the
23 Building or Premises as a result of any negligent act or omission or willful misconduct of
24 Tenant or its contractors, invitees, agents and representatives and their respective
25 employees or arising from any breach or default under this Lease by Tenant. The
26 foregoing provisions shall not be construed to make Tenant responsible for loss, damage,
27 liability or expense resulting from injuries to third parties caused by the negligence or
28 willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees
29 or invitees.

30 (b) Landlord's Indemnity. Landlord shall indemnify, defend and hold
31 Tenant harmless from and against all loss, cost and expense, including attorneys' fees,
32 arising from any injury or damage to any person or property, occurring in or about the
33 Building or Premises as a result of any negligent act, omission or willful misconduct of
34 Landlord, or its officers, contractors, licensees, agents, employees, guests, or visitors or
35 arising from any breach or default under this Lease by Landlord. The foregoing
36 provisions shall not be construed to make Landlord responsible for loss, damage, liability
37 or expense resulting from injuries to third parties caused by the negligence or willful
38 misconduct of Tenant, or its officers, contractors, licensees, agents, employees or
39 invitees.

1 19. INSURANCE.

2 (a) General Requirements. All insurance required to be carried by
3 Tenant hereunder shall be issued by Tenant or responsible insurance companies
4 acceptable to Landlord and Landlord's lender and qualified to do business in the State of
5 California. Each policy shall name Landlord and, at Landlord's request, any lender
6 holding an encumbrance against Landlord's interest in the Building or any part thereof as
7 an additional insured, as their respective interests may appear. A certificate of insurance
8 issued by Tenant or the insurer or its duly authorized agent evidencing the existence and
9 amount of each insurance policy required hereunder shall be delivered to Landlord before
10 the date Tenant is first given the right of possession of the Premises and thereafter within
11 thirty (30) days after any demand by Landlord. Landlord may, at any time and from time
12 to time, inspect and copy any insurance policies required to be maintained by Tenant
13 hereunder. No such policy shall be cancelable except after twenty (20) days' written
14 notice to Landlord and Landlord's lender. Tenant shall furnish Landlord with renewals or
15 "binders" of each such policy at least ten (10) days prior to the expiration thereof. Tenant
16 shall have the right to provide such insurance coverage pursuant to blanket policies
17 obtained by Tenant, provided such blanket policies expressly afford coverage to the
18 Premises, Landlord, Landlord's lender, and Tenant as required by this Lease. Tenant, at
19 its sole option, shall use commercial insurance and/or self insurance or any combination
20 thereof to satisfy these requirements. If any policy of insurance required to be obtained
21 and maintained by Tenant under this Lease is issued by a commercial insurer, such policy
22 of insurance shall be acceptable to Landlord only if the insurer is A.M. Best rated at least
23 A-/VII.

24 (b) Property Insurance. At all times during the Lease Term, Tenant shall
25 procure and maintain, at its sole expense, "all-risk" property insurance, for damage or
26 other loss caused by fire or other casualty or cause including, but not limited to,
27 vandalism and malicious mischief, theft, water damage of any type, including sprinkler
28 leakage, bursting of pipes, explosion, in an amount not less than one hundred percent
29 (100%) of the replacement cost covering (a) all Alterations made by or for Tenant in the
30 Premises (including without limitation, improvements to the Premises pursuant to the
31 Work Letter; and (b) Tenant's trade fixtures, equipment and other personal property from
32 time to time situated in the Premises. The proceeds of such insurance shall be used for
33 the repair or replacement of the property so insured, except that if not so applied or if this
34 Lease is terminated following a casualty, the insurance proceeds shall be paid to Landlord
35 and Tenant as their interest applies.

36 (c) Liability Insurance. At all times during the Lease Term, Tenant
37 shall self insure or procure and maintain, at Tenant's sole cost and expense, commercial
38 general liability insurance applying to the use and occupancy of the Premises and the
39 business operated by Tenant. Such insurance shall have a minimum combined single
40 limit of liability of at least One Million Dollars (\$1,000,000.00) per occurrence and a
41 general aggregate limit of at least Two Million Dollars (\$2,000,000.00). All such
42 policies shall be written to apply to all bodily injury, property damage, personal injury
43 losses and shall be endorsed to include Landlord and its agents, beneficiaries, partners,
44 employees, and any deed of trust holder or mortgagee of Landlord or any ground lessor

1 as additional insureds. Such liability insurance shall be written as primary policies, not
2 excess or contributing with or secondary to any other insurance as may be available to the
3 additional insureds.

4 (d) Workers' Compensation. At all times during the Lease Term,
5 Tenant shall procure and maintain, at Tenant's sole cost and expense, Workers'
6 Compensation Insurance in accordance with the laws of the State of California.

7 (e) Landlord's Liability Insurance. At all times during the Lease Term,
8 Landlord shall procure and maintain, at Landlord's sole cost and expense, commercial
9 general liability insurance applying to the use and occupancy of the Building and the
10 business operated by Landlord. Such insurance shall have a minimum combined single
11 limit of liability of at least One Million Dollars (\$1,000,000.00) per occurrence and a
12 general aggregate limit of at least Two Million Dollars (\$2,000,000.00). All such
13 policies shall be written to apply to all bodily injury, property damage, personal injury
14 losses and shall be endorsed to include Tenant and its agents, beneficiaries, partners,
15 employees, officers and elected officials as additional insureds. Such liability insurance
16 shall be written as primary policies, not excess or contributing with or secondary to any
17 other insurance as may be available to the additional insureds.

18 (f) Landlord's All-Risk Property Insurance. At all times during the Lease
19 Term, Landlord shall procure and maintain "all-risk" property insurance in the amount
20 not less than one hundred percent (100%) of the replacement cost covering the Building
21 in which the Premises are located and such other insurance or coverage as may be
22 required by Landlord's lender or a mortgagee.

23 (g) Waver of Subrogation. Landlord and Tenant shall obtain appropriate
24 endorsements upon all insurance policies waiving subrogation by the insurer(s) against
25 Landlord and Tenant.

26 20. PARKING.

27 (a) Tenant's Rights. Provided that Tenant is not in default hereunder,
28 Tenant shall have the right to the number of non-reserved parking stalls set forth in
29 Section 1 without charge for the Term of this Lease. No tandem parking shall be
30 permitted and Tenant shall be entitled to full in/out privileges. Tenant's parking rights
31 shall be subject to reasonable parking rules and regulations adopted by Landlord from
32 time to time, provided that such procedures shall be uniformly applied to all tenants.
33 Tenant acknowledges that all other parking spaces are not for the exclusive use of
34 Tenant, rather, all such parking spaces are to be used on a non-exclusive, first-come, first-
35 served basis by Tenant and other tenants, occupants, licensees, invitees and permittees of
36 the Building.

37 (b) Remedies. Landlord acknowledges that it is a material term of this
38 Lease that Tenant shall receive all of the Parking Spaces to which it is entitled under this
39 Lease for the entire Term of this Lease and that it would be impracticable and extremely
40 difficult to fix the actual damages for a breach of such provisions. It is therefore agreed

1 that if, for any reason whatsoever, a material number of the Parking Spaces required
2 above are not available to Tenant, (in addition to the rights given to Tenant under Section
3 14 and Sections 9 and 17 in the event of casualty or condemnation) Tenant may (a)
4 terminate this Lease by giving written notice of such termination to Landlord, which
5 notice shall be effective sixty (60) days thereafter or (b) deduct from the Basic Rent
6 thereafter accruing hereunder an amount each month equal to \$75 per parking space.

7 21. ENVIRONMENTAL MATTERS

8 (a) Hazardous Materials. Tenant shall not cause nor permit, nor allow any
9 of Tenant's employees, agents, customers, visitors, invitees, licensees, contractors,
10 assignees or subtenants to cause or permit, any Hazardous Materials to be brought upon,
11 stored, manufactured, generated, blended, handled, recycled, treated, disposed or used on,
12 under or about the Premises, the Building or the Common Areas, except for routine
13 office, medical and janitorial supplies in usual and customary quantities stored, used and
14 disposed of in accordance with all applicable Environmental Laws. As used herein,
15 "Hazardous Materials" means any chemical, substance, material, controlled substance,
16 object, condition, waste, living organism or combination thereof, whether solid, semi
17 solid, liquid or gaseous, which is or may be hazardous to human health or safety or to the
18 environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity,
19 toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness or other harmful or
20 potentially harmful properties or effects, including, without limitation, molds, toxic levels
21 of bacteria, tobacco smoke within the Premises, petroleum and petroleum products,
22 asbestos, radon, polychlorinated biphenyls (PCBs), refrigerants (including those
23 substances defined in the Environmental Protection Agency's "Refrigerant Recycling
24 Rule," as amended from time to time) and all of those chemicals, substances, materials,
25 controlled substances, objects, conditions, wastes, living organisms or combinations
26 thereof which are now or become in the future listed, defined or regulated in any manner
27 by any Environmental Law based upon, directly or indirectly, such properties or effects.

28 As used herein, "Environmental Laws" means any and all federal, state or local
29 environmental, health and/or safety-related laws, regulations, standards, decisions of
30 courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit
31 conditions, currently existing and as amended, enacted, issued or adopted in the future
32 which are or become applicable to Tenant, the Premises, the Building or the Common
33 Areas.

34 (b) Landlord Indemnity. Landlord shall indemnify, protect, defend (by
35 counsel acceptable to Tenant) and hold harmless Tenant from and against any and all
36 claims, judgments, causes of action, damage, penalties, fine, taxes, costs, liabilities,
37 losses and expenses arising at any time during or after the Term as a result (directly or
38 indirectly) of or in connection with the presence of Hazardous Materials on, under or
39 about the Premises, Building or Common Areas or other violation of laws relating to
40 Hazardous Materials other than caused by Tenant. This indemnity shall include, without
41 limitation, the cost of any required or necessary repair, cleanup or detoxification, and the
42 preparation and implementation of any closure, monitoring or other required plans, as
43 such action is required by local or state laws or any governmental agency. Landlord shall

1 promptly deliver to Tenant a copy of any notice received from any governmental agency
2 during the Term of this Lease concerning the presence of Hazardous Materials in the
3 Building or the Premises. Landlord's obligations pursuant to the foregoing indemnity
4 shall survive the expiration or termination of this Lease. A default by Landlord under
5 this Section shall constitute a material default under this Lease.

6 22. ESTOPPEL CERTIFICATES. Tenant shall, within thirty (30) days after
7 written request of Landlord, execute, acknowledge and deliver to Landlord or its designee
8 a written statement in the form of Exhibit "E" attached hereto and incorporated herein,
9 but shall have no other obligation to deliver any other form of estoppel certificate. It is
10 intended that any such statement delivered pursuant to this Section may be relied upon by
11 a prospective purchaser of Landlord's interest or holder of any mortgage upon Landlord's
12 interest in the Premises.

13 23. TENANT IMPROVEMENTS. Prior to the Commencement Date, Landlord
14 shall construct the Tenant Improvements in the manner set forth in the Landlord's Work
15 Letter executed by Landlord and Tenant concurrently herewith.

16 24. LIENS. Tenant shall keep its interest in this Lease and the Premises free from
17 any liens arising out of any work performed or materials ordered or obligations incurred
18 by Tenant. Landlord shall keep its interest in this Lease and the Premises free from any
19 liens which would impair the interest of Tenant hereunder and hereby indemnifies and
20 holds Tenant harmless from any liability or loss from any such lien.

21 25. SUBORDINATION AND MORTGAGES

22 (a) Subordination and Non-Disturbance. Tenant agrees, at Landlord's
23 option, to subordinate this Lease to the lien of any mortgages or deeds of trust now or
24 hereafter in force against the Building; provided, however, Tenant's obligation to
25 subordinate this Lease is expressly conditioned upon Tenant receiving a written
26 agreement in the form of Exhibit "F" attached hereto and incorporated herein, and
27 provided further that no such subordination shall affect any option to extend the Term of
28 this Lease, right of first offer to lease additional premises, option to purchase or right of
29 first offer to purchase the Property which may be included herein.

30 (b) Notice of Default. If any mortgagee or beneficiary under a deed of
31 trust affecting the Property gives written notice of its name and address to Tenant by
32 registered mail requesting any such notice with reference to this Section, Tenant agrees to
33 use its best efforts (but without liability for failure to do so) to give such mortgagee a
34 copy of any notice of Default served upon Landlord hereunder which could permit
35 Tenant to terminate this Lease and an additional ten (10) days within which to cure such
36 Default.

37 26. SURRENDER OF POSSESSION. Subject to casualty, at the expiration of the
38 Term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and
39 peacefully surrender the Premises to Landlord in a "broom-clean" condition. Tenant may
40 (but shall not be required to) remove, at its own expense, all fixtures, equipment and all

1 other personal property placed or installed in or upon the Premises by Tenant, or under its
2 authority (including any modular furniture).

3 27. SIGNAGE. Subject to Landlord's approval, Tenant shall be permitted to
4 install at the Premises reasonably appropriate signs that conform with any and all
5 applicable laws and ordinances.

6 28. QUIET ENJOYMENT. So long as Tenant is not in default hereunder, Tenant
7 shall have the right to the quiet and peaceful enjoyment and possession of the Premises
8 and the Common Areas during the Term of this Lease, subject to the terms and conditions
9 of this Lease.

10 29. GENERAL

11 (a) Headings. Titles to Sections of this Lease are not a part of this Lease
12 and shall have no effect upon the construction or interpretation of any part hereof.

13 (b) Successors and Assigns. All of the covenants, agreements, terms and
14 conditions contained in this Lease shall inure to and be binding upon the Landlord and
15 Tenant and their respective successors and assigns.

16 (c) Brokers. Landlord and Tenant each represent and warrant to each
17 other that it has not engaged any broker, finder or other person who would be entitled to
18 any commission or fees in respect of the negotiation, execution or delivery of this Lease
19 other than as disclosed to the other in writing and shall indemnify and hold harmless each
20 other against any loss, cost, liability or expense incurred by the other party as a result of
21 any claim asserted by any such broker, finder or other person on the basis of any
22 arrangements or agreements made or alleged to have been made in variance with this
23 representation.

24 (d) Entire Agreement. This Lease (and the Landlord's Work Letter and
25 Supplemental Lease Documents) is the final and complete expression of Landlord and
26 Tenant relating in any manner to the leasing, use and occupancy of the Premises, to
27 Tenant's use of the Building and other matters set forth in this Lease. No prior
28 agreements or understanding pertaining to the same shall be valid or of any force or
29 effect and the covenants and agreements of this Lease shall not be altered, modified or
30 added to except in writing signed by both Landlord and Tenant.

31 (e) Severability. Any provision of this Lease which shall prove to be
32 invalid, void or illegal shall in no way affect, impair or invalidate any other provision
33 hereof and the remaining provisions hereof shall nevertheless remain in full force and
34 effect.

35 (f) Notices. All notices and communications to any party hereunder shall
36 be in writing and shall be deemed properly given if delivered personally, sent by
37 registered or certified mail, postage prepaid, or by a recognized overnight commercial
38 messenger providing proof of delivery, facsimile (electronically confirmed) to Landlord's
39 Address for Notice and Tenant's Address for Notice as set forth in Section 1. Any notice

1 so given shall be deemed to have been given as of the date of delivery (whether accepted
2 or refused) established by U.S. Post Office return receipt or the overnight carrier's proof
3 of delivery, as the case may be. Any such notice not so given shall be deemed given
4 upon receipt of the same by the party to whom the same is to be given.

5 (g) Governing Law and Forum. This Lease shall be governed by and
6 construed in accordance with the internal laws of the State of California. Any litigation
7 with respect to this Lease shall be conducted in the County of Los Angeles, State of
8 California.

9 (h) Waivers. No waiver by Landlord or Tenant of any provision hereof
10 shall be deemed a waiver of any other provision hereof or of any subsequent breach by
11 Landlord or Tenant of the same or any other provision. Landlord's or Tenant's consent to
12 or approval of any act shall not be deemed to render unnecessary the obtaining of
13 Landlord's or Tenant's consent to or approval of any subsequent act by Landlord or
14 Tenant.

15 (i) Time of Essence. Time is of the essence for the performance of all of
16 the obligations specified hereunder.

17 (j) Consent. Whenever any consent is required by Landlord or Tenant
18 hereunder, such consent shall not be unreasonably withheld, conditioned or delayed and,
19 unless otherwise specifically provided herein, shall be deemed granted if not refused
20 within ten (10) days after written request is made therefore, together with all necessary
21 information.

22 (k) Community Business Enterprises Landlord shall complete and deliver
23 to Tenant concurrently with the execution hereof a Community Business Enterprises
24 form set forth as Exhibit "F" attached hereto and incorporated herein.

25 30. AUTHORITY. Only the Board of Supervisors of the Tenant has the
26 authority, by formally approving and/or executing this Lease, to bind the Tenant to the
27 terms included herein. Each individual executing this Lease on behalf of Tenant
28 represents and warrants that he or she is duly authorized to execute and deliver this Lease
29 on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its
30 terms. Landlord understands that no material terms of this Lease may be altered or
31 deleted, nor may any new material terms be added to this Lease, without the express
32 written approval of the Board of Supervisors, either through an amendment to the Lease
33 or by other formal board action. No County officer, employee, agent or independent
34 contractor has any authority to alter, add or delete the material terms of this Lease and
35 Landlord may not rely upon any representations to the contrary. This limitation of
36 authority applies to all material terms of the Lease including, without limitation, any
37 monetary ceiling established for Tenant Improvements or other project costs of Landlord
38 which are subject to reimbursement by County. County shall not reimburse Landlord for
39 any expenses which exceed this ceiling. Notwithstanding the foregoing, the Chief
40 Administrative Officer may take any administrative act on behalf of Tenant hereunder
41 which does not have the effect of increasing Basic Rent or other financial obligations of

1 Tenant under this Lease, including without limitation, granting any approvals,
2 terminating this Lease in the manner provided herein by an Early Termination Notice or
3 otherwise, signing estoppel certificates, signing the Commencement Date Memorandum
4 and Confirmation of Lease Terms or subordinating this Lease. Each individual executing
5 this Lease on behalf of Landlord represents and warrants that he or she is duly authorized
6 to execute and deliver this Lease on behalf of Landlord, and that this Lease is binding
7 upon Landlord in accordance with its terms.

8 31. ACKNOWLEDGEMENT BY LANDLORD

9 Landlord acknowledges that it is aware of the following provisions:

10 (a) Consideration of GAIN Program Participants. Should Landlord
11 require additional or replacement personnel after the effective date of this Lease,
12 Landlord shall give consideration for any such employment, openings to participants in
13 the County Department of Public Social Services' Greater Avenues for Independence
14 ("GAIN") Program who meet Landlord's minimum qualifications for the open position.
15 The County will refer GAIN participants by job category to Landlord. Landlord's
16 employment of GAIN participants shall be in the sole and exclusive discretion of
17 Landlord.

18 (b) Solicitation of Consideration. It is improper for any County officer,
19 employee or agent to solicit consideration in any form from a landlord with the
20 implication, suggestion or statement that the landlord's provision of the consideration
21 may secure more favorable treatment for the landlord in the award of the Lease or that
22 landlord's failure to provide such consideration may negatively affect the County's
23 consideration of the landlord's offer to lease. A landlord shall not offer or give, either
24 directly or through an intermediary, consideration in any form to a County officer,
25 employee or agent for the purpose of securing favorable treatment with respect to the
26 award of the Lease.

27 Landlord shall immediately report any attempt by a County officer,
28 employee or agent to solicit such improper consideration. The report shall be made either
29 to the County manager charged with the supervision of the employee or to the County
30 Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861.
31 Failure to report such solicitation may result in the landlord's submission being
32 eliminated from consideration.

33 (c) Landlord Assignment.

34 (i) Landlord may assign, transfer, mortgage, hypothecate or
35 encumber Landlord's right, title and interest in and to this Lease or any portion thereof
36 (including the right to receive rental payments but excluding its duties and obligations
37 hereunder), and Landlord may execute any and all instruments providing for the payment
38 of Basic Rent directly to an assignee or transferee, but only if the conditions set forth in
39 this Section are met.

1 (ii) Any document or agreement purporting to assign, transfer,
2 mortgage, hypothecate or encumber Landlord's right, title and interest in and to this Lease
3 or any portion thereof, is hereinafter referred to as a "Security Agreement." Any Security
4 Agreement which is executed without full compliance with the requirements of this
5 Section shall be void.

6 (iii) Each assignee or transferee under the Security Agreement
7 shall certify and agree in writing that such assignee or transferee has read and is familiar
8 with the requirements of Sections 5950-5955 of the California Government Code, which
9 prohibits the offer or sale of any security constituting a fractional interest in this Lease or
10 any portion thereof, without the prior written consent of the County.

11 (iv) Violation by Landlord of the provisions of Section 5951 of
12 the California Government Code will constitute a material breach of this Lease, upon
13 which the County may impose damages in an amount equal to the greater of (a) \$500,000
14 or (b) 10% of the aggregate principal portion of all rental payments payable by the
15 County during the entire Term of this Lease, it being expressly agreed that the aforesaid
16 amount shall be imposed as liquidated damages, and not as a forfeiture or penalty. It is
17 further specifically agreed that the aforesaid amount is presumed to be the amount of
18 damages sustained by reason of any such violation, because from the circumstances and
19 nature of the violation it would be impracticable and extremely difficult to fix actual
20 damages. In addition, the County may exercise or pursue any other right or remedy it
21 may have under this Lease or applicable law.

22 (v) Landlord shall give the County notice and a copy of each
23 Security Agreement and any other instrument relating thereto (including, but not limited
24 to, instruments providing for the payment of Basic Rent directly to an assignee or
25 transferee) at least two weeks prior to the effective date thereof.

26 (vi) Except as required by applicable laws, ordinances, rules,
27 regulations or order of a Court of competent jurisdiction, neither Tenant nor Landlord
28 shall furnish any information concerning the other or the subject matter of this Lease
29 (including, but not limited to, offering memoranda, financial statements, economic and
30 demographic information, and legal opinions rendered by the office of counsel for the
31 County) to any person or entity, except with other's prior written consent. Landlord and
32 Tenant shall indemnify, defend and hold the other and its officers, agents and employees
33 harmless from and against all claims and liability alleged to arise from the inaccuracy or
34 incompleteness of any information furnished in violation of this Section.

35 (vii) The provisions of this Section shall be binding upon and
36 applicable to the parties hereto and their respective successors and assigns. Whenever in
37 this Section Landlord or Tenant is referred to, such reference shall be deemed to include
38 their respective successors or assigns, and all covenants and agreements by or on behalf
39 of Landlord herein shall bind and apply to such successors and assigns whether so
40 expressed or not.

1 32. IRREVOCABLE OFFER. In consideration for the time and expense that
2 Tenant will invest, including, but not limited to, preliminary space planning, legal review,
3 and preparation and noticing for presentation to the Tenant's Real Estate Management
4 Commission in reliance on Landlord's agreement to lease the Premises to Tenant under
5 the terms of this Lease, Landlord irrevocably offers to enter into this Lease and not to
6 revoke this offer until the Irrevocable Offer Expiration Date, as defined in Section 1.

1 IN WITNESS WHEREOF this Lease has been executed the day and year first
2 above set forth.

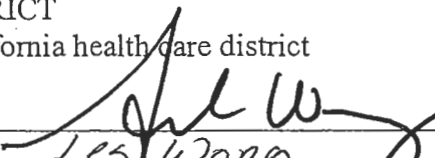
LANDLORD:

ANTELOPE VALLEY HEALTH CARE
DISTRICT
a California health care district

By: _____

Name: _____

Its: _____


Les Wong
C.E.O.

TENANT:

COUNTY OF LOS ANGELES
a body politic and corporate

By: _____

Name: _____

Chairman Board of Supervisors

ATTEST:

Sachi A. Hamai Executive Officer-Clerk
of the Board of Supervisors

By: _____

Deputy

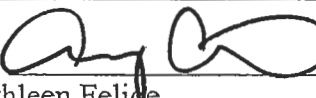
APPROVED AS TO FORM:

County Counsel
RAYMOND G. FORTNER JR.

By: _____

Kathleen Felice

Principal Deputy County Counsel

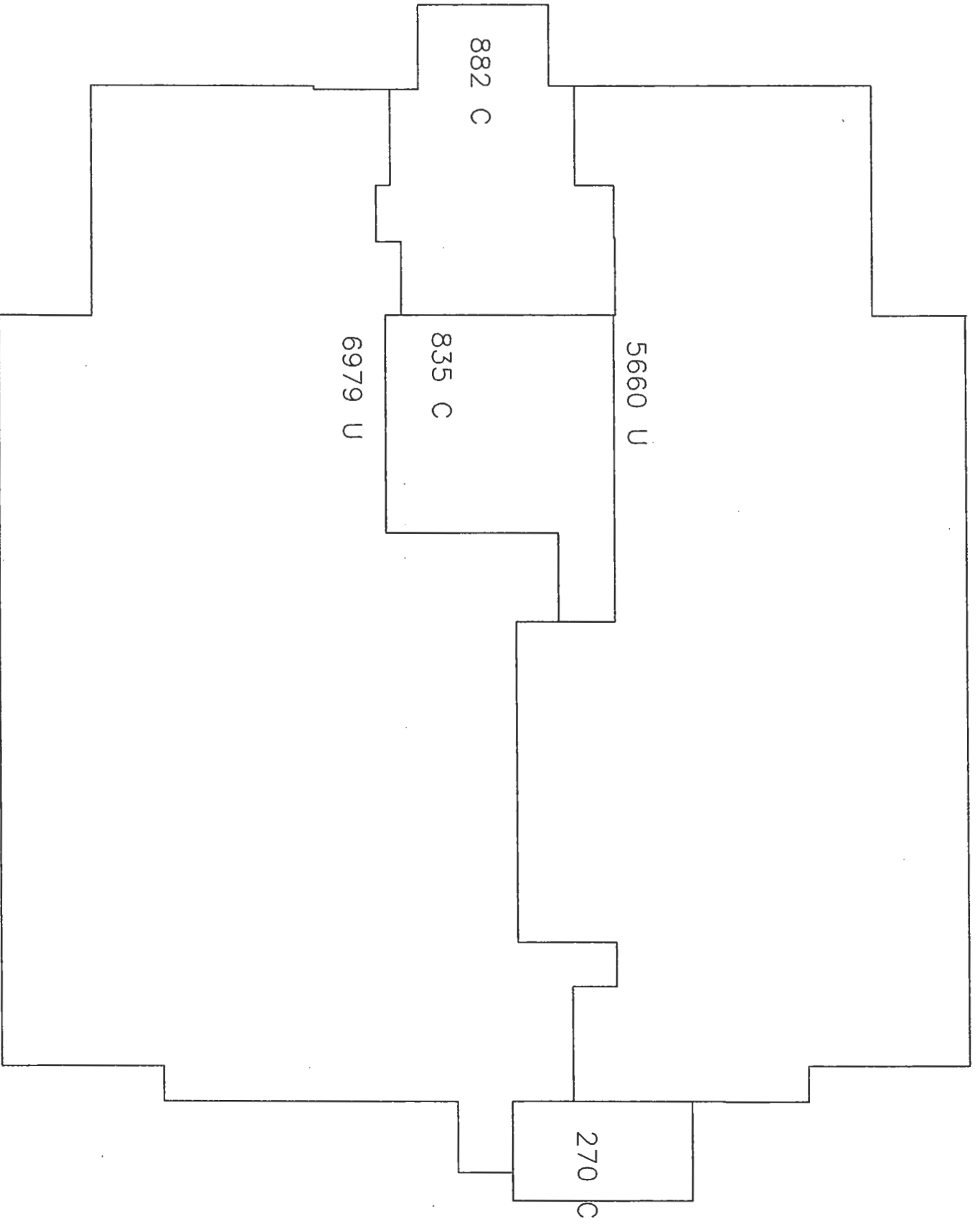
 for KDF

3

4

5

EXHIBIT A
FLOOR PLAN OF PREMISES



44

5370-44 = 5326 U

2168 C

5445 U

EXHIBIT B

LEGAL DESCRIPTION OF PROPERTY

EXHIBIT C

COMMENCEMENT DATE MEMORANDUM
AND CONFIRMATION OF LEASE TERMS

Reference is made to that certain lease ("Lease") dated _____, 2006, between County of Los Angeles, a body politic and corporate ("Tenant"), and _____, a _____ ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain premises in the building located at 38350 40th Street East, _____ ("Premises"),

Landlord and Tenant hereby acknowledge as follows:

- (1) Landlord delivered possession of the Premises to Tenant in a Substantially Complete condition on _____ ("Possession Date");
- (2) Tenant has accepted possession of the Premises and now occupies the same;
- (3) The Lease commenced on _____ ("Commencement Date");
- (4) The Premises contain _____ rentable square feet of space; and
- (5) Basic Rent Per Month is _____.

IN WITNESS WHEREOF, this Memorandum is executed this ____ day of _____, 200__.

"Tenant"

COUNTY OF LOS ANGELES,
a body politic and corporate

By: _____
Name: _____
Its: _____

"Landlord"

ANTELOPE VALLEY HEALTH CARE
DISTRICT,
a California public health care district

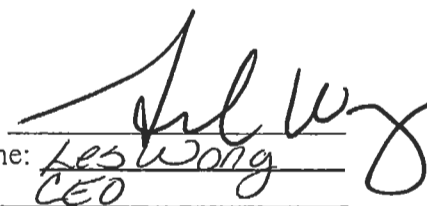
By: 
Name: Les Wong
Its: CEO

EXHIBIT D

HVAC STANDARDS

Landlord shall supply cooling, ventilating and heating with capacity to produce the following results effective during Normal Working Hours established by the Lease and within tolerances normal in comparable office buildings; maintenance of inside space conditions of not greater than 76 degrees Fahrenheit when the outside air temperature is not more than 93 degrees Fahrenheit dry bulb and 70 degrees Fahrenheit wet bulb, and not less than 70 degrees Fahrenheit when the outside air temperature is not lower than 42 degrees Fahrenheit dry bulb. Interior space is designated at a rate of one zone for approximately each 1,000 square feet and one diffuser for each 200 square feet of usable square footage within the Premises. If energy requirements prohibit Landlord from complying with these requirements, Tenant shall not unreasonably withhold its consent to temporary waivers or modifications.

EXHIBIT E

CLEANING AND MAINTENANCE SCHEDULE

1. DAILY (Monday through Friday)
 - A. Carpets vacuumed.
 - B. Composition floors dust-mopped.
 - C. Desks, desk accessories and office furniture dusted. Papers and folders left on desk not to be moved.
 - D. Waste baskets, other trash receptacles emptied.
 - E. Chairs and waste baskets returned to proper position.
 - F. Fingerprints removed from glass doors and partitions.
 - G. Drinking fountains cleaned, sanitized and polished.
 - H. Lavatories, toilets and toilet rooms cleaned and mopped. Toilet supplies replenished.
 - I. Bulb and tube replacements, as required.
 - J. Graffiti expunged as needed within two (2) working days after notice by Tenant.
 - K. Floors washed as needed.
 - L. Kitchen/Lunchroom supplies replenished including paper supplies and soap.
2. WEEKLY
 - A. Low-reach areas, chair rungs, baseboards and insides of door jambs dusted.
 - B. Window sills, ledges and wood paneling and molding dusted.
3. MONTHLY
 - A. Floors washed and waxed in uncarpeted office area.
 - B. High-reach areas, door frames and tops of partitions dusted.
 - C. Upholstered furniture vacuumed, plastic and leather furniture wiped.
 - D. Picture moldings and frames dusted.
 - E. Wall vents and ceiling vents vacuumed.
 - F. Carpet professionally spot cleaned as required to remove stains.
 - G. HVAC chiller water checked for bacteria, water conditioned as necessary.
4. QUARTERLY
 - A. Light fixtures cleaned and dusted, but not less frequently than Quarterly.
 - B. Wood furniture polished.
 - C. Draperies or mini-blinds cleaned as required, but not less frequently than Quarterly.
 - D. HVAC units serviced for preventative maintenance purposes, all filters changed.
5. SEMI-ANNUALLY

- A. Windows washed as required inside and outside but not less frequently than twice annually.
- B. All painted wall and door surfaces washed and stains removed.
- C. All walls treated with vinyl covering washed and stains removed.

6. ANNUALLY

- A. Furniture Systems and any other fabric or upholstered surfaces including chairs, couches, walls, etc., spot cleaned, or if determined to be necessary in Tenant's sole discretion, professionally cleaned in their entirety using a water extraction system.
- B. Bathroom and any other ceramic tile surfaces professionally cleaned using a hand scrub process. All grout and porous surfaces resealed with a professional grade sealant.
- C. Touch-up paint all interior painted surfaces in a color and finish to match existing.

7. AS NEEDED

- A. Sidewalks, driveways, parking areas and all means of access and egress for the Premises and the Building should be maintained in good repair, and in clean and safe condition at all times.
- B. All lawns, shrubbery and foliage on the grounds of the Building should be maintained in good condition and neat in appearance. Grass and shrubbery must be replanted as needed to maintain the grounds in good appearance and condition.
- C. Carpets to be cleaned using non-detergent, low moisture, soil encapsulation system as recommended by the carpet manufacturer. The following schedule will be maintained for carpet cleaning: (i) heavy traffic areas as needed with a minimum frequency of bi-monthly [six (6) times per year]; (ii) moderate traffic areas cleaned as needed with a minimum of once every six (6) months [two (2) times per year]; and (iii) clean light traffic areas a minimum of once per year. Landlord agrees that bonnet cleaning is not an acceptable method of cleaning carpets.
- D. All walls repainted and wall coverings replaced throughout the Premises. The paint finish should be eggshell or semi-gloss as directed by Tenant and in a color acceptable to Tenant. In no event will Landlord be required to repaint or replace wall coverings more than one (1) time in a five (5) year period (the "Occurrence"). The initial tenant improvements completed prior to Tenant's occupancy or as a condition to the renewal of the Lease shall not constitute an Occurrence for the purpose of determining the frequency of this work.

E. Pest Control

8. GENERAL Landlord shall, upon request of Tenant, produce written service contracts as evidence of compliance with the terms of this Cleaning and Maintenance Schedule.

LANDLORD'S WORK LETTER

For

**COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE
LEASE AND AGREEMENT**

DEPARTMENT: HEALTH SERVICES, as Tenant

LANDLORD: ANTELOPE VALLEY HEALTH CARE DISTRICT

Address

38350 40th STREET WEST, PALMDALE, CALIFORNIA

LANDLORD'S WORK LETTER

This Work Letter supplements the Lease (the "Lease") dated April 1, 2007, executed concurrently herewith, by and between Antelope Valley Health Care District as Landlord, and COUNTY OF LOS ANGELES as Tenant, covering certain Premises described in the Lease. Terms capitalized but not otherwise defined herein shall have the meanings ascribed to them in the Lease.

The parties hereby agree as follows:

1. Basic Work Letter Information. The following terms as used herein shall have the meanings provided in this Section unless otherwise specifically modified by provisions of this Work Letter.

(a) <u>Base Tenant Improvement Allowance</u>	\$115,264(i.e., \$8.00 per rentable square foot of the Premises No. 1) \$394,680(i.e., \$65.00 per rentable square foot of the Premises No. 2)
(b) <u>Additional Tenant Improvement Allowance</u>	\$151,800(i.e., \$25.00 per rentable square foot of the Premises No. 2)
(c) <u>Maximum Change Order Allowance</u>	\$ 50,000.00
(d) <u>Additional Tenant Improvement and Change Order Amortization Rate:</u>	9% per annum
(e) <u>Basic Rent Reduction per \$1,000</u>	N/A
(f) <u>Tenant's Work Letter Representative</u>	Thomas Shepos or an assigned staff person of the Chief Administrative Office-Real Estate Division
(g) <u>Landlord's Work Letter Representative</u>	Leslie Wong
(h) <u>Landlord's Address for Work Letter Notice</u>	<u>Antelope Valley Health Care District</u> <u>1600 Avenue J</u> <u>Lancaster, CA 93534</u>
(i) <u>Tenant's Address for Work Letter Notice</u>	Board of Supervisors Kenneth Hahn Hall of Administration Room 383 500 West Temple Street Los Angeles, California 90012

	With a copy to: Chief Administrative Office- Real Estate Division 222 South Hill Street, 3 rd Floor Los Angeles, California 90012 Attention: Director of Real Estate Fax Number: (213) 217-4971
(j) Addenda	Addendum A: Base Building Improvements Addendum B: Tenant Improvements Addendum C: Form of Budget Addendum D: Costs of Tenant Improvements Addendum E. Parking Facility Location

2. Construction of the Building.

2.1 Base Building Improvements. Landlord has constructed or shall construct the Base Building improvements as a part of the Building described on Addendum A hereto (the "Base Building Improvements"). To the extent that the Base Building Improvements must be changed or added to in order to accommodate the Tenant Improvements reflected in the Construction Documents as defined below, such changes or additions shall be considered Tenant Improvements (as defined below) only to the extent such changes or additions are specifically described in Addendum B hereto. The foregoing notwithstanding, costs, fees or expenses incurred to design and construct the Parking Facility described in this Work Letter shall not be deemed Tenant Improvements Costs. The rights and obligations of the Landlord and Tenant relating to design/construction of the Parking Facility and costs, fees and expenses necessary to complete design/construction of the Parking Facility shall be in accordance with provisions of this Work Letter relating thereto.

2.2 Additional Costs Not Tenant Improvement Costs

(a) In the event that the Building as initially constructed does not comply with current life-fire safety codes, disabled access codes (including, without limitation, the ADA), and/or earthquake safety codes, and Landlord incurs increased design or construction costs that it would not have incurred had the Building been in compliance with such codes, such costs shall not be included in the calculation of Tenant Improvement Costs as defined below and Tenant shall have no financial responsibility for such costs.

(b) Any work that Landlord must undertake to cause the Premises No. 2 to comply with the access requirements of the ADA or make existing building systems, including, but not limited to, electrical service and HVAC equipment, fully operational shall be at Landlord's sole cost and expense. Tenant Improvement Costs shall not include any costs associated with (i) asbestos abatement or compliance with the Hazardous Materials provision of the Lease, including all expenses associated with curing any "Sick Building Syndromes", (ii) fire sprinkler system installation or upgrade, (iii) conversion of air conditioning systems to eliminate use of CFC

refrigerants that are harmful to the atmosphere, (iv) utility costs incurred during construction of Tenant Improvements, (v) costs incurred in order to cause Premises No. 2 to comply with any mechanical or electrical requirements set forth in the Lease, or (vi) supervision or overhead costs of Landlord.

(c) Landlord shall be solely responsible for all costs and expenses necessary to increase permitted structural floor loading in order to accommodate Tenant's libraries, file rooms, unusual live loads and other such uses, provided that such floor loading requirements are specifically identified in Addendum B to this Work Letter and specifically identified in the Construction Documents. Any other modifications of the structural floor loading of the Premises to accommodate Tenant's use or occupancy of the Premises shall be at the sole cost and expense of Tenant.

2.3 Base Building Plans. Landlord has delivered to Tenant "as built" plans and specifications for the Building in an AutoCAD 2000 format. In the event Tenant incurs additional costs because such plans and specifications are incomplete or inaccurate, such increased costs will be reimbursed to Tenant and any delay caused thereby shall not be a Tenant Delay, as defined below.

3. Selection of Architect and Engineer. Landlord shall promptly solicit at least three (3) proposals from qualified licensed architects ("Architect") and/or engineers ("Engineer") familiar with all applicable laws and building requirements sufficient to complete the Construction Documents as defined below. The Architect and the Engineer shall be selected by Landlord subject to Tenant's consent, which consent shall not be unreasonably withheld, and which consent (or refusal to consent for reasonable reasons) shall be granted within three (3) business days after Landlord has submitted the name of the Architect and the Engineer to Tenant together with detailed proposals outlining the cost for design/engineering services. If the Tenant does not consent to a proposed Architect or Engineer, the Tenant's notice to the Landlord rejecting a proposed Architect or Engineer shall include a detailed explanation of the basis for the Tenant's rejection. This procedure shall be repeated until the Architect and the Engineer is/are finally approved by Tenant and written consent has been delivered to and received by Landlord. The foregoing provisions notwithstanding, the Landlord, may in its sole discretion, elect not to directly solicit proposals from Engineers, provided that the proposal of an Architect incorporates the services of Engineer(s) as a Sub-Consultant(s) to the Architect for the engineering disciplines reasonably necessary to complete the Construction Documents for the Tenant Improvements.

4. Selection of Contractor Upon completion of the Construction Documents and obtaining regulatory approvals necessary to construct the work reflected therein, the Landlord shall comply with legal requirements applicable to the Landlord for bidding and awarding one or multiple contracts for construction of Tenant Improvements; the Landlord's award of contract(s) for construction of the Tenant Improvements will be to the responsible bidder submitting the lowest priced Bid Proposal responsive to material bidding requirements.

At the sole discretion of the Landlord, the Landlord may award a single contract. .

5. Preparation of Plans and Specifications and Construction Schedule.

5.1 Preparation of Space Plan. Concurrently with the execution of the Lease, Tenant shall submit to Landlord a space plan and specifications for Tenant Improvements to the Premises showing all demising walls, corridors, entrances, exits, doors, interior partitions, and the locations

of all offices, conference rooms, computer rooms, mini-service kitchens, and the reception area, library, and file room (the "Space Plan").

5.2 Preparation and Approval of Design Documents. Within ten (10) business days of the date the Space Plan is submitted to Landlord (the "Plan Submission Date"), Landlord shall instruct the Architect to commence preparation of design documents in accordance with the Space Plan and compatible with the design, construction and equipment then existing in the Building, in compliance with all applicable laws, capable of physical measurement and construction, containing all such information as may be required for the construction of the Tenant Improvements, including all partition locations, plumbing locations, air conditioning system and duct work, special air conditioning requirements, reflected ceiling plans, office equipment locations, and special security systems (the "Design Documents"). The Design Documents shall include and incorporate engineering designs and calculations for the mechanical, electrical and plumbing portions of the Tenant Improvements. As required by the nature of the design services and/or applicable law, the Design Documents for such portions of the Tenant Improvements shall be completed by or under the direction of a California registered engineer. The Landlord shall cause the Design Documents to be completed in a series of sequential phases described as Schematic Design Documents, Design Development Documents and Construction Documents. Upon the Architect's completion of the Design Documents for each of these phases of the development of Design Documents, the Landlord shall provide the Tenant with copies thereof for review and acceptance. Unless otherwise agreed between Landlord and Tenant, the Tenant shall have ten (10) business days upon receipt of Design Documents to complete the Tenant's review thereof and submit written comments to the Landlord regarding corrections, modifications or other matters relating to the Design Documents. To the extent that the Tenant's comments relating to corrections, modifications or other matters are consistent with the Tenant Improvements reflected in the Tenant's Space Plan, the Architect shall incorporate such comments into the next iteration of the Design Documents. The Tenant acknowledges and agrees that notwithstanding the Landlord's retention of the Architect to prepare the Tenant Improvements Design Documents and the Landlord's general oversight and monitoring of the Architect's completion of the Design Documents, the sole responsibility for the completeness and accuracy of the Design Documents is that of the Architect and its consultants.

5.3 Preparation and Approval of Engineering Drawings. Landlord shall cause the Architect to coordinate all engineering drawings prepared by the Engineer, showing complete mechanical, electrical and plumbing systems ("Engineering Drawings") to be integrated into the Design Drawings. The Engineering Drawings may be submitted in one or more stages and at one or more times for Tenant's review.

5.4 Integration of Working Drawings and Engineering Drawings into Construction Documents. After Tenant has approved the Engineering Drawings, Landlord shall cause the Architect to integrate the approved Development Drawings with the approved Engineering Drawings (collectively "Construction Documents") and deliver five (5) sets of the Construction Documents to Tenant. The Construction Documents shall be suitable for plan check review and permitting by local agencies having jurisdiction over the Tenant Improvements, for the layout, improvement and finish of the Premises consistent with the design and construction of the Base Building Improvements, including electrical and mechanical drawings, capacity reports, dimensioned partition plans, floor and wall finish plans, reflected ceiling plans, power, telephone communications and data plans, life safety devices, construction detail sheets including millwork detail plans showing the location of partitions, light fixtures, electrical outlets, telephone outlets, fire sprinklers, doors, equipment specifications (including weight specifications and cooling

requirements) and power requirements (including voltage, amps, phase, and special plugs and connections), wall finishes, floor coverings, millwork and other Tenant Improvements.

5.5 Approval of Plans by Tenant. Approval by Tenant shall not be deemed to be a representation by Tenant as to the adequacy or correctness of the design of the Tenant Improvements. Tenant shall have five (5) business days from the date of its receipt of Design Documents, Engineering Drawings, Development Documents and/or Construction Documents to submit to the Landlord written comments, modifications or other objections to the scope or nature of Tenant Improvements reflected therein Construction Documents.

5.6 Schedule. Within thirty (30) days after the Tenant submits the Space Plan to the Landlord, Landlord shall submit to Tenant a detailed construction schedule, subject to approval by Tenant which approval shall not be unreasonably withheld, setting forth the dates specific completion of certain project benchmarks including, but not limited to, completion of Schematic Documents, Development Documents Engineering Drawings, and Construction Documents submission of plans to local jurisdiction for review, issuance of building permit, submission of plans to contractors for bidding, award of construction contract, construction commencement, construction completion, Projected Commencement Date and other similar dates. During the construction of Tenant Improvements, Landlord shall require that the Contractor develop and update the schedule of construction activities from time to time to reflect any changes to the projected dates.

6. Final Construction Budget and Payment of Tenant Construction Costs

6.1 Construction Budget. Within three (3) days after the Tenant's submission of the Space Plan, Landlord shall submit to Tenant a preliminary budget (the "Preliminary Budget") in a format similar to Addendum C attached hereto. Such budget shall be revised into final form within ten (10) days from of the date the Contractor is selected and will be referred to herein as the "Final Construction Budget". Construction of the Tenant Improvements shall not begin until such time as Tenant indicates its approval or disapproval of the Final Construction Budget or the five (5) day period expires without any response from Tenant. In the event Tenant disapproves the Final Construction Budget due to matters related to cost and the Final Construction Budget is ten percent (10%) or more higher in cost than was projected in the Preliminary Construction Budget, then any delay caused by the necessity to rebid or redesign the Tenant Improvements shall not be considered a Tenant Delay. Landlord shall review the Space Plan, Design Documents, and Engineering Drawings at its sole cost and expense. No fee for profit, overhead or general conditions costs of the Landlord in connection with the construction of the Tenant Improvements shall be included in the Final Construction Budget unless approved by Tenant; the foregoing excludes fees for profit, overhead or general conditions costs incorporated into the Construction Contract.

6.2 Additional Tenant Improvement Allowance. All improvements required by the Construction Documents and modular furniture described in the Modular Specifications, as further described in Addendum B hereto, shall be Tenant Improvements and shall be at Landlord's sole cost and expense ("Tenant Improvements"). The foregoing notwithstanding, Tenant shall be responsible for reimbursement to the Landlord, in accordance with the terms of this Work Letter for: (i) any portion of the Additional Tenant Improvement Allowance or the maximum Change Order Allowance used to design or construct any portion of the Tenant Improvements; and (ii) the costs to procure Modular Furniture for the Premises. Costs of Tenant Improvements shall include costs for furniture, telecommunications equipment, soft costs and any other costs designated in writing by Tenant in the aggregate not to exceed the Base Tenant Improvement Allowance, the Additional Tenant Improvement Allowance and costs of Change Orders, as defined below ("Tenant

Improvement Costs"). Landlord shall be solely responsible for any delay or increased cost in completing the Tenant Improvements except for delays or costs arising from Tenant Delays as defined below. It is anticipated that the Tenant Improvement Costs will exceed the Tenant Improvement Allowance so that Tenant may authorize Landlord to pay the overage in an amount not exceeding the Additional Tenant Improvement Allowance. The amount of the Additional Tenant Improvement Allowance shall be paid by Tenant to Landlord as provided herein. If upon completion of construction of the Tenant Improvements, there is any remaining balance of the Tenant Improvement Allowance, the Additional Tenant Improvement Allowance or Maximum Change Order Allowance which has not been applied to costs to design or construct the Tenant Improvements, the entirety of such remaining balance is the sole property of the Landlord and Tenant shall have no right, title or interest in or to such remaining balance.

6.3 Method of Payment. That portion of the Additional Tenant Improvement Allowance or Maximum Change Order Allowance used to pay for the Tenant Improvement Costs may, at Tenant's election be paid to Landlord (i) in a lump sum when the Tenant Improvements are Substantially Complete, or (ii) in amortized monthly payments over the Term of the Lease at the Tenant Improvement Amortization Rate. Tenant may at any time during the Term prepay Landlord in a lump sum for all or any portion of the Tenant Improvement Costs, amortizing any remaining amount in monthly payments over the remaining Term of the Lease at the Tenant Improvement Amortization Rate. The foregoing notwithstanding, if Tenant is in default of its obligations under the Lease and the Lease is terminated as a result thereof, the Additional Tenant Improvement Allowance and/or the Maximum Change Order Allowance used to construct Tenant Improvements, along with accrued interest thereon shall be due and payable within thirty (30) days after termination of the Lease for the Tenant's default.

6.4 Base Tenant Improvement Allowance. Notwithstanding the allocation of specific Tenant Improvement Allowance amounts for Premises No. 1 and Premises No. 2, as set forth in Section 1(a) of this Work Letter, the Tenant may re-allocate portions of the Tenant Improvement Allowance allocated for Premises No. 1 or Premises No. 2 to the other Premises upon written request of Tenant to the Landlord, which shall set forth at least: (i) the amount of the Tenant Improvement Allowance to be re-allocated to the other Premises; (ii) a description of the factors compelling or justifying such re-allocation; and (iii) a confirmation by the Tenant that such re-allocation will not materially affect the nature, extent and scope of Tenant Improvement Allowance anticipated to be completed for either Premises No. 1 or Premises No. 2. The Tenant Improvement Allowance will be re-allocated upon the Landlord's consent to the Tenant's re-allocation request, which consent shall not be unreasonably withheld.

7. Construction of Tenant Improvements.

7.1 Tenant Improvements. Tenant Improvements to be constructed by Landlord are generally described in Addendum B hereto and specifically described in the Construction Documents. If any work required by the Construction Documents is not described on Addendum B hereto the work shall be performed by Landlord at its own cost and expense and not included in the cost of Tenant Improvements.

7.2 Permits. Landlord shall secure the approval of governmental authorities, and all permits required by governmental authorities having jurisdiction over such approvals and permits for the Tenant Improvements, promptly after approval of the Construction Documents.

7.3 Commencement of Construction. Landlord shall commence construction of the Tenant Improvements within fifteen (15) days after award of the Construction Contract. Landlord

shall cause to be commenced and, once commenced, shall thereafter require the Contractor to proceed to construct and complete all Tenant Improvements, subject to any cessation that may be caused by Force Majeure Delays.

7.4 Construction. Construction of the Tenant Improvements will be subject to the following terms and conditions:

(a) Notice of Nonresponsibility. Landlord and the Contractor shall cooperate with Tenant in permitting Tenant access for posting a notice or notices of non-responsibility by Tenant.

(b) Decorating Decisions. All design and programming, space planning and interior decorating services, such as selection of wall paint colors and/or wall coverings, furniture, fixtures, carpeting and any or all other decorator selection efforts required by Tenant, shall be provided by Landlord at Landlord's expense in accordance with Tenant's Space Plan. Landlord shall consult with Tenant with respect to all such decorating services and decisions.

(c) Clean-Up and Substandard Work. Landlord will be responsible for all clean-up with respect to the Tenant Improvements, whether in the Premises themselves or in other areas utilized by Landlord or its contractors, and agrees to reimburse Tenant for any and all expenses incurred by Tenant by reason of substandard work performed by Landlord's contractor or contractors (as reasonably determined by Tenant according to the usual standards of work in the Building) or as a result of inadequate clean-up.

(d) Compliance with Laws. Construction of the Tenant Improvements shall comply with all applicable laws and regulations and shall be subject to the general inspection of Tenant. The Premises shall comply with all applicable city, county, state and federal building codes, regulations and ordinances required for beneficial occupancy, including, but not limited to, all provisions of the Labor Code of the State of California. Under the provisions of the Labor Code, the State Department of Industrial Relations will ascertain the prevailing hourly rate in dollars and details pertinent thereto for each craft, classification or type of workman or mechanic needed for the construction of the improvements. Particulars of the current Prevailing Wage Scale, as approved by the Board of Supervisors which are applicable to the work, are filed with the Clerk of the Board of Supervisors and must be posted at the site.

7.5 Conformed Plans. Within sixty (60) days after Substantial Completion of the Tenant Improvements and receipt from the Contractor of all field changes, Landlord shall submit to Tenant a set of conformed plans ("as-builts") incorporating, in accordance with standard industry custom and practice, field changes made and changes and/or revisions that have been made subsequent to the submission of the Construction Documents. Such "as-built" or "record documents" shall be submitted on CD or DVD disks in Auto CAD R 12.dwg (or later version) format or .DXF format, along with one complete set of mylar transparencies of drawings and one complete set of specifications.

8. Change Orders. Tenant and Landlord may make changes, additions, deletions or alterations in the Construction Documents ("Change Order") provided both Tenant and Landlord approve such changes in writing. The amount of the Maximum Change Order Allowance set forth in Section 1 has been authorized by the Board of Supervisors of the County to be used to pay the costs of all authorized Change Orders but only the Chief Administrative Officer is authorized to approve Change Orders on behalf of Tenant and then only if the aggregate amount of such approved Change Orders does not exceed the Maximum Change Order Allowance. Tenant may elect to pay for Change Orders (a) in a lump sum upon Substantial Completion of the Tenant

Improvements, or (b) amortize the costs over the term of the Lease at the Change Order Amortization Rate per month. Landlord shall submit to the Chief Administrative Officer with each requested Change Order (i) the specific cost of the requested change, (ii) the cumulative net total cost of all Change Orders previously approved, and (iii) an estimate of the construction time which will be increased or shortened if the Change Order is approved. Each Change Order must be signed and dated by the Chief Administrative Officer. The Change Order Allowance may be applied to Change Orders for the Parking Facility pursuant to Section 19 hereof.

9. Furniture System

9.1 Tenant shall deliver to Landlord within ten (10) days after execution hereof, modular furniture ("Modular Furniture") plans and specifications (the "Modular Specifications"). The Modular Specifications shall include without limitation, detailed descriptions of the each item or product included therein; detailed data of the dimensions, weight, installation requirements, electrical power service requirements for each item or product identified in the Modular Specifications. The Tenant shall be solely responsible for obtaining and providing to the Landlord or the Landlord's Architect all necessary information and data regarding the Modular Furniture specified by the Tenant. The Tenant shall be solely responsible for any additional costs incurred in the procurement, delivery or installation of Modular Furniture specified by the Tenant which arise out of or are related in any manner to incomplete or inaccurate Modular Specifications provided by the Tenant to the Landlord hereunder, or Tenant's modifications thereto. Any additional time to complete the Modular Specifications by the Landlord's Architect, procurement of Modular Furniture or delivery/installation of Modular Furniture which arise out of or are related in any manner to incomplete or inaccurate Modular Specifications provided by the Tenant to Landlord or Tenant's modifications thereto shall be deemed a Tenant Delay. Based on the Modular Specifications, Landlord and /or Landlord's architect, shall prepare a Modular Furniture bid package for submission to no less than three (3) furniture vendors. Prior to submission for bids, Landlord shall review the bid package with Tenant and Tenant shall have the right to approve or disapprove the bid package. Landlord shall provide at its cost the Modular Furniture set forth in the Modular Specifications and shall not be responsible for the cost of such Modular Furniture in excess of the Additional Tenant Improvement Allowance. Tenant shall reimburse the Landlord in a lump sum or in accordance with a financed transaction entered into between Landlord and the furniture vendor acceptable to the Tenant, including, but not limited to, a lease purchase agreement, provided the outstanding balance can be no more than One Dollar (\$1) at the end of a term not to exceed one hundred twenty (120) months.

9.2 Tenant may opt to finance the lump-sum payment for the cost of Modular Furniture through lease-purchase financing with a third-party ("Creditor"). In the event the Tenant elects to enter into a lease-purchase financing of the Modular Furniture (the "Personal Property") through a Creditor, Landlord expressly agrees as follows:

(a) The Personal Property shall not become part of the realty or real property, but shall remain personal property removable by the Creditor and its assigns, provided that any damage occasioned by such removal shall be repaired by Creditor.

(b) Landlord shall be notified by Creditor of any Tenant default under a lease-purchase financing arrangement any plan by Creditor to exercise remedies resulting therefrom, including without limitation, the Creditor's removal of the Personal Property from the Premises.

(c) This section shall be binding on the representatives, successors and assigns of all parties hereto and shall inure to the benefit of the successors-in-interest to all parties hereto.

(d) Landlord does hereby waive any right to gain possession of any of Personal Property during the term of this Lease.

10. **Tenant Improvement Costs Adjustment and Right to Audit.** Within five (5) days of the issuance of a Certificate of Occupancy, or a final sign-off by the City of Palmdale, which ever occurs first, Landlord shall provide to Tenant a statement showing in reasonable detail all Tenant Improvement Costs and the total amount payable hereunder by Tenant to Landlord. Upon approval of the statement by Tenant, payments by either party pursuant to the Lease and this Landlord's Work Letter shall be adjusted as appropriate, based upon such statement. Tenant shall have the right to audit these costs for a period of twenty-four (24) months from the date of acceptance by Tenant of the Premises. In the event the audit shows that Tenant is entitled to a reduction in payments to the Landlord under this Landlord's Work Letter, Tenant shall provide Landlord with a copy of the audit summary and Landlord shall pay Tenant the amount of any over-payment made by Tenant within thirty (30) days and future payments shall be adjusted as appropriate based upon the audit results.

11. **Exclusions.** The Tenant Improvement cost shall not include any costs incurred for asbestos abatement, fire sprinkler system, or conversion of air conditioning systems to eliminate use of CFC refrigerants that are harmful to the atmosphere. All work for required asbestos abatement, fire sprinkler system, or air conditioning system conversion shall be performed at the sole cost and expense of Landlord.

12. **Telephone/Computer Room and Equipment.** Landlord shall complete the telephone equipment room(s) including permanent power and HVAC, in compliance with the Space Plan and specifications provided by Tenant, at least thirty (30) days prior to the Projected Commencement Date. During this thirty (30) day period, the Tenant may have delivered and stored at the Premises telephone/data equipment of the Tenant for installation in the Premises, provided that: (i) the Tenant has theretofore delivered to the Landlord Certificates of Insurance or other written evidence that the Tenant has obtained the insurance coverages required to be obtained by the Tenant under the Lease; (ii) the Tenant shall be solely responsible for the loss, damage or destruction of any such telephone/data equipment whether stored at the Premises or installed in the Premises; (iii) the Tenant shall indemnify, defend and hold harmless the Landlord from any liability, loss, damage, claim, action or cause of action arising out of or related in any manner to the Tenant's use of the Premises for storage of telephone/data equipment or the installation thereof in the Premises; and (iv) neither the storage of telephone/data equipment nor the installation thereof shall delay, impede, hinder or otherwise adversely impact the Landlord completion of Tenant Improvements.

13. Delay.

13.1. Tenant Delays and Force Majeure Delays. Except as set forth herein, no delay in the completion of construction of the Tenant Improvements shall be considered in the determination of the Commencement Date of the Lease and, except as set forth herein or in the Lease, under no circumstance shall Tenant be charged with any delay whatsoever as a result of delay in the construction of Tenant Improvements. Subject to the provisions of Section 13.2, the Projected Commencement Date set forth in the Lease shall be extended one (1) day for each day that: (i) Tenant fails or refuses to give authorizations or approvals within the time periods required herein but only to the extent such delays delay the commencement or completion of construction of the Tenant Improvements (referred to herein as "Tenant Delay(s)"); or (ii) Substantial Completion of the Tenant Improvements is delayed by lightning, earthquake, fire, storm, tornado, flood, washout, other acts of God, explosion, strike, lockout, labor disturbance, civil disturbance, riot, war, act of a public enemy, sabotage, challenges to the bidding/procurement process for the Architect, Engineer(s), Contractor and/or Modular Furniture Vendor, or other similar causes beyond the reasonable control of Landlord (referred to herein as "Force Majeure Delay(s)").

13.2. Limitations.

(a) Notice. No Tenant Delay or Force Majeure Delay shall be deemed to have occurred unless Landlord has provided written notice, within forty eight (48) hours of the event giving rise to such claim, in compliance with the Lease, to Tenant specifying that a delay is claimed to have occurred because of actions, inaction or circumstances specified in the notice in reasonable detail. If such actions, inaction or circumstances qualify as a Tenant Delay or Force Majeure Delay, then a Tenant Delay or Force Majeure Delay, as applicable, shall be deemed to have occurred only commencing as of the date Tenant received such notice from Landlord.

(b) Mitigation. Tenant Delays and Force Majeure Delays shall delay the Projected Commencement Date only in the event that Substantial Completion of the Tenant Improvements is delayed, despite Landlord's reasonable efforts to adapt and compensate for such delays, which efforts Landlord shall be obligated to make (provided such additional cost incurred by Landlord due to such effort does not exceed \$1,000 on a cumulative basis, unless Tenant agrees to pay to such excess).

(c) Concurrent Delays. Tenant Delays and Force Majeure Delays shall be recognized hereunder only to the extent the same are not concurrent with any other Tenant Delay or Force Majeure Delay which is effective hereunder. For example, if there are ten (10) days of Tenant Delays and four (4) days of Force Majeure Delays which occur during the same ten (10) day period of such Tenant Delays, then the Projected Commencement Date would be extended by only ten (10) days; on the other hand, if such Tenant Delays and Force Majeure Delays did not occur during the same period, the Projected Commencement Date would be extended by fourteen (14) days.

(d) Change Orders. Landlord may not claim that a Change Order requested by Tenant was the cause of a delay in the construction of the Tenant Improvements unless the anticipated delay is specified in writing in the Change Order authorization. The foregoing shall not include delays to construction of the Tenant Improvements resulting from a Change Order, which were not known and could not have been reasonably foreseeable at the time the Landlord and Tenant execute a Change Order. In such event, such delays shall be deemed Tenant Delays if the Landlord provides Tenant with notice of such delay pursuant to and in accordance with Paragraph 13.2(a) of this Work Letter

14. Tenant Remedies. If Landlord fails to obtain the building permit to construct the Tenant Improvements within a reasonable time, taking all factors into consideration, or if Tenant

Improvements have not been completed within sixty (60) days from the Projected Commencement Date, as adjusted for Tenant Delays and/or Force Majeure Delays, Tenant may, at its option:

14.1. Cancel the Lease upon thirty (30) days written notice to Landlord; or

14.2. Upon thirty (30) days written notice to Landlord, assume the responsibility for providing the Tenant Improvements itself. If Tenant elects to provide tenant improvements itself, then:

(a). Tenant, its officers, employees, agents, contractors and assignees, shall have free access to the Premises and the Building at all reasonable times for the purpose of constructing the Tenant Improvements and for any other purposes reasonably related thereto; and

(b). Rent shall be reduced by Tenant's total expense in constructing the Tenant Improvements, including any financing charges for capital and a reasonable amount for its administrative costs, and including interest at the rate of six percent (6%) ("Tenant's Total Expense"). The rent reduction schedule shall be as mutually agreed to between the parties or, if no such agreement is made, Tenant's Total Expense shall be fully amortized in equal monthly amounts over five (5) years and deducted from the rent payable hereunder.

Any default by Landlord under the terms of this Landlord's Work Letter shall constitute a default under the Lease and shall entitle Tenant to exercise all remedies set forth in the Lease.

15. **Representatives.**

(a) **Tenant Representative.** Tenant has designated Tenant's Work Letter Representative as its sole representative with respect to the matters set forth in this Landlord's Work Letter who, until further notice to Landlord, shall have the full authority and responsibility to act on behalf of Tenant as required in this Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Tenant's Address for Work Letter Notice as set forth in Section 1.

(b) **Landlord Representative.** Landlord has designated Landlord's Work Letter Representative as its sole representative with respect to the matters set forth in this Work Letter who, until further notice to Tenant, shall have the full authority and responsibility to act on behalf of Landlord as required in this Landlord's Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Landlord's Address for Work Letter Notice as set forth in Section 1.

16. **Elevator Usage During Move-In.** In the event that the use of the freight elevators and/or hoists is not sufficient to for construction of the Tenant Improvements or the delivery/installation of the Modular Furniture, Landlord shall cause to be made operational (a) a temporary construction elevator and hoist, or (b) Tenant shall have priority usage of two (2) passenger elevators in the elevator bank that services the Premises in order to assist Tenant in the installation of Tenant's fixtures, furniture and equipment.

17. **Construction Meetings.** During the course of construction of the Tenant Improvements, meetings shall be held between the Contractor, Landlord and Tenant at least once per week, unless Tenant directs otherwise, at a time and place which is mutually convenient. An initial construction meeting shall be held within five (5) days of the date the Contractor is selected.

18. **Delivery.** Delivery of all plans and drawings referred to in this Work Letter shall be by commercial messenger service or personal hand delivery, unless otherwise agreed by Landlord and Tenant.

19. **Parking Facility.** In addition to the existing surface parking lot serving the Building, within one (1) year of the Commencement Date of the Lease ("PF Completion Date"), the Landlord shall cause to be designed, constructed and completed a fenced, secure, tenants-only surface parking lot ("the Parking Facility") with eighty (80) parking spaces for the use of Tenant (inclusive of handicap accessible parking spaces as required by applicable law, ordinance, rule or regulation).

19.1 **Parking Facility Location.** The Parking Facility shall be located generally in the cross-hatched area indicated in Addendum E to this Work Letter.

19.2 **Parking Facility Design.** The Landlord shall retain the services of design professionals duly licensed or registered under California law as an architect or engineer to prepare design documents, which shall include all of the information as may be required for the construction and equipping of the Parking Facility ("PF Design Documents"). Such PF Design Documents shall incorporate plans, specifications and other requirements for the Parking Facility approved by Tenant, including perimeter fencing, security systems, lighting, necessary drainage and disabled persons' accessibility. The Landlord shall cause the PF Design Documents to be developed in a series of sequential phases. At the conclusion of each phase of the development of the PF Design Documents, the Landlord shall provide the Tenant with a copy of the PF Design Documents for review and comment. The Tenant shall have five (5) business days from its receipt of PF Design Documents to complete such review and submit comments to the Landlord for consideration and incorporation into the PF Design Documents during the subsequent phase of development of the PF Design Documents. The PF Design Documents shall conform to applicable laws, ordinances, rules and regulations.

19.3 **Permitting of Parking Facility Design Documents.** Upon completion of the PF Design Documents, the Landlord shall submit the same to governmental agencies with jurisdiction over construction of the Parking Facility or any portion thereof and secure approvals or permits necessary to construct the Parking Facility.

19.4 **Construction of Parking Facility.** Upon securing necessary approvals and permits for construction of the Parking Facility, the Landlord shall conduct a competitive bidding process in accordance with legal requirements applicable to the Landlord; the Landlord's award of contract(s) for construction of the Parking Facility will be to the responsible bidder submitting the lowest priced Bid Proposal responsive to material bidding requirements.. Landlord and Tenant, after adjustments for inconsistent assumptions, shall select the most qualified bidder offering the lowest price for construction of the Parking Facility. The Parking Facility shall comply with all applicable laws and regulations and shall be subject to the general inspection of Tenant. The Parking Facility shall comply with all applicable city, county, state and federal building codes, regulations and ordinances. Construction of the Parking Facility shall be subject to compliance with provisions of the Labor Code relating to prevailing wage rates and limitations on the hours of work of laborers. Under the provisions of the Labor Code relating to prevailing wage rates, the State Department of Industrial Relations will ascertain the prevailing hourly rate in dollars and details pertinent thereto for each craft, classification or type of workman or mechanic needed for the construction of the Parking Facility.

19.5 **Use and Occupancy of the Parking Facility.** The Tenant and its employees engaged in activities in the Premises shall have the non-exclusive right to park eighty (80) motor vehicles in the Parking Facility in conformity with the provisions of Section

20 of the Lease. The foregoing notwithstanding, the Parking Facility may be used by the Landlord or other tenants of the Building for parking motor vehicles, provided that eighty (80) parking spaces are available for parking motor vehicles by employees of Tenant in the Parking Facility. During the Term of the Lease, the Landlord expressly reserves the right to further modify or improve the Parking Facility without liability to the Tenant provided that at all times during the Term, there are eighty (80) parking spaces in the Parking Facility for parking by Tenant's employees.

19.6 Parking Facility Design and Construction Costs. Except as expressly provided herein, the Tenant shall be responsible for the payment of fees, costs and expenses necessary to complete the design for the Parking Facility with eighty (80) parking spaces, obtain permits/approvals for construction of the Parking Facility and construct the Parking Facility, up to an aggregate amount of Two Hundred and Fifty Thousand Dollars (\$250,000), which Landlord and Tenant agree is the estimated cost of construction of the Parking Facility when limited to 80 parking spaces ("Tenant's Share of PF Costs "). Any amounts over and above the Tenant's Share of PF Costs are attributable to the expansion of the Parking Facility for use by other occupants of the Building. Prior to commencing with development of PF Design Documents, the Landlord and the design professional retained by the Landlord to prepare the PF Design Documents shall establish a budget for design, permitting and construction of the Parking Facility ("Parking Facility Budget"). The Parking Facility Budget shall be submitted to the Tenant for review and acceptance. The Tenant shall have five (5) business days from the date of receipt of the Parking Facility Budget to request modifications thereto.. Notwithstanding the Tenant's acceptance of the Parking Facility Budget, the Landlord acknowledges and agrees that the actual costs to design, permit and construct the Parking Facility may exceed the Parking Facility Budget. Landlord acknowledges and agrees that the Landlord shall be solely responsible for payment of all fees, costs, or expenses to design, permit and construct the Parking Facility which exceed the Tenant's Share of the PF Costs. In the event the Parking Facility Budget is less than the Tenant's Share of PF Costs, the Tenant's Share of PF Costs shall be reduced to the amount of the Parking Facility Budget plus the cost of approved change orders not to exceed in the aggregate the amount of Two Hundred and Fifty Thousand Dollars and the remaining available amount of the Change Order Allowance.

19.6.1 The foregoing notwithstanding, Landlord will advance to the Tenant for use solely in connection with payment of fees, costs or expenses to design, obtain permits and construct the Parking Facility, a maximum amount of Two Hundred Fifty Thousand Dollars (\$250,000) ("the Parking Facility Advance"), provided that any variation from the Parking Facility Budget and/or the PF Design Documents must be authorized by Tenant in advance through a change order. Landlord shall submit to the Chief Administrative Officer with each requested change order: (i) the specific cost of the requested change, (ii) the cumulative new total cost of all change orders previously approved, and (iii) an estimate of the construction time which will be increased or shortened if the change order is approved. Each change order must be signed and dated by the Chief Administrative Officer.

19.6.2 The Parking Facility Advance shall be evidenced by a written instrument duly executed by authorized representatives or employees of the Tenant and the Landlord which sets forth the amount advanced by the Landlord to the Tenant and which confirms the Tenant's repayment obligation therefor, as set forth herein. The Parking Facility Advance shall bear interest at the rate of ten percent (10%) per annum. The Parking Facility Advance may, at Tenant's election be paid to Landlord (i) in a lump sum upon completion of construction of the Parking Facility, or (ii) in amortized equal monthly payments over the then remaining first sixty (60) months of the Term of the Lease. Tenant may at any time prepay

Landlord in a lump sum for all or any portion of the Parking Facility Advance, amortizing any remaining principal and interest in equal monthly payments over then remaining first sixty (60) months of the Term of the Lease. The foregoing notwithstanding, if Tenant is in default of its obligations under the Lease and the Lease is terminated as a result thereof, the then remaining balance due of the Parking Facility Advance, along with accrued interest thereon shall be due and payable within thirty (30) days after termination of the Lease for the Tenant's default.

19.6.3 **Audit of Parking Facility Costs.** Tenant shall have the right to audit the fees, costs and expenses to design, obtain permits and construct the Parking Facility and all uses of the Parking Facility Advance for a period of twenty-four (24) months from the PF Completion Date. In the event the audit shows that Tenant is entitled to a reduction in payments to the Landlord, Tenant shall provide Landlord with a copy of the audit summary and Landlord shall pay Tenant the amount of any over-payment made by Tenant within thirty (30) days and further payments shall be adjusted as appropriate based upon the audit results.

19.7 PF Delay

19.7.1 **Tenant Delays and Force Majeure Delays.** Except as set forth herein, no delay in the completion of construction of the Parking Facility shall extend the PF Completion Date and, except as set forth herein, under no circumstance shall Tenant be charged with any delay whatsoever as a result of delay in the construction of the Parking Facility. Subject to the provisions of Section 19.7.2, the PF Completion Date shall be extended one (1) day for each day that: (i) Tenant fails or refuses to give authorizations or approvals or submit comments to Landlord regarding PF Design Documents, the Parking Facility Budget or Change Orders within the time periods set forth herein within the time periods required herein but only to the extent such delays delay the commencement or completion of construction of the Parking Facility (referred to herein as "PF Tenant Delay"; or (ii) Substantial Completion of the Parking Facility is delayed by lightning, earthquake, fire, storm, tornado, flood, washout, other acts of God, explosion, strike, lockout, labor disturbance, civil disturbance, riot, war, act of a public enemy, sabotage, challenges to the bidding/procurement process for the architect, engineer(s), or contractors, or other similar causes beyond the reasonable control of Landlord (referred to herein as "Force Majeure Delay(s)").

19.7.2. Limitations.

(a) Notice. No PF Tenant Delay or Force Majeure Delay shall be deemed to have occurred unless Landlord has provided written notice, within forty eight (48) hours of the event giving rise to such claim, in compliance with the Lease, to Tenant specifying that a delay is claimed to have occurred because of actions, inaction or circumstances specified in the notice in reasonable detail. If such actions, inaction or circumstances qualify as a PF Tenant Delay or Force Majeure Delay, then a PF Tenant Delay or Force Majeure Delay, as applicable, shall be deemed to have occurred only commencing as of the date Tenant received such notice from Landlord.

(b) Mitigation. PF Tenant Delays and Force Majeure Delays shall extend the PF Completion Date only in the event that Substantial Completion of the parking is delayed, despite Landlord's reasonable efforts to adapt and compensate for such delays, which efforts Landlord shall be obligated to make (provided such additional cost incurred by Landlord due to such effort does not exceed \$1,000 on a cumulative basis, unless Tenant agrees to pay to such excess).

(d) Change Orders. Landlord may not claim that a Change Order requested by Tenant was the cause of a delay in the construction of the Parking Facility unless the anticipated delay is specified in writing in the Change Order authorization. The foregoing shall not include delays to construction of the Parking Facility resulting from a Change Order, which were not known and could not have been reasonably foreseeable at the time the Landlord and Tenant execute a Change Order. In such event, such delays shall be deemed PF Tenant Delays if the Landlord provides Tenant with notice of such delay pursuant to and in accordance with Paragraph 19.7.2.(a) of this Work Letter

19.8. **Tenant Remedies**. If Landlord fails to obtain the building permit to construct the Parking Facility within one hundred and eighty (180) days from the Commencement Date, taking all factors into consideration, or if the Parking Facility has not been completed within one year following the Commencement Date, as adjusted for Tenant Delays and/or Force Majeure Delays, Tenant may, at its option upon thirty (30) days written notice to Landlord, assume the responsibility for providing the Parking Facility itself. If Tenant elects to provide the Parking Facility itself, then Tenant, its officers, employees, agents, contractors and assignees, shall have free access to the Building and parking lot at all reasonable times for the purpose of constructing the Parking Facility and for any other purposes reasonably related thereto.

19.9. **Parking Facility Maintenance**. Following the completion of construction of the Parking Facility, the Parking Facility shall be deemed a part of the Building and shall be maintained by the Landlord. If neither the Landlord nor any other tenant of the Building utilizes the Parking Facility, all fees, costs and expenses incurred by the Landlord to maintain the Parking Facility shall be the responsibility of the Tenant. If the Landlord or other tenants of the Building utilize the Parking Facility, maintenance fees, costs and expenses shall be equitably allocated by the Landlord to the Tenant, the Landlord, and other tenants of the Building utilizing the Parking Facility on the basis of their respective percentage shares of parking spaces in the Parking Facility.

LANDLORD:

ANTELOPE VALLEY HEALTH CARE DISTRICT,
a California public health care district

By: _____

Name: Les Wong
Title: CEO
Date Signed: 4-24-2007

TENANT:

COUNTY OF LOS ANGELES,
a body politic and corporate

By: _____

Name: _____
Title: _____
Date Signed: _____

ADDENDUM A To Landlord's Work Letter

BASE BUILDING IMPROVEMENTS

Landlord has constructed (or will construct) the Building to include the following:

(a) the Building shell and exterior, including perimeter window frames, mullions and glazing in good condition;

(b) the core area, including electrical, fire sprinkler, plumbing, life safety, heating, air conditioning, ventilation and structural systems within the Building core, stubbed out to the face of the core wall at locations determined by Landlord;

(c) men's and women's toilet rooms, including necessary plumbing fixtures, ceramic tile floors, accessories, ceilings and lighting, with running hot and cold water;

(d) unpainted exterior dry wall or lath and plaster covering the exposed side of all exposed core walls, core and perimeter columns and the interior exposed side of all exterior building wall areas except at and under windows;

(e) public stairways;

(f) passenger and freight elevators;

(g) parking facilities;

(h) ground floor lobby;

(i) finished elevator lobbies (with carpet, lights, finished walls and ceiling);

(j) exterior plazas and landscaping;

(k) loading dock and/or area;

(l) drinking fountains at the core;

(m) electrical/telephone closet with not less than seven (7) watts per square foot of Rentable Area of the Premises of normal power in the floor electrical closet;

(n) conduit access sufficient for Tenant's electrical wiring (no additional improvement to increase conduit access will be furnished by Landlord unless there is not sufficient riser space as required for a 1.5" diameter signal cable from the Building main telecommunication vault to the telephone closets on floors 1 & 2, in which case Landlord, at no cost to Tenant and without deduction from the Tenant Improvement Allowance, shall cause such riser space to be made available to Tenant, and provided further that Tenant shall be responsible for the cost for removing the riser floor seal at each floor and the patching of each seal after installation of Tenant's cable);

(o) two (2) 208/120 and one (1) 480/277 bolt panels connected to the Building power system;

(p) mechanical equipment room with ducted mechanical exhaust system;

(q) concrete floors with trowelled finish, level to specified tolerances and designed to support a minimum live load of fifty (50) pounds per square foot and a partition load of twenty (20) pounds per square foot;

(r) standard window coverings;

(s) primary HVAC duct for cooling and primary HVAC duct for heating (heating is for perimeter zone only) to loop from the mechanical equipment room around the building core;

(t) hot and cold air loops located within the Premises;

(u) primary fire sprinkler distribution, including secondary piping and sprinkler heads as required for the unoccupied Premises;

(v) primary fire-life safety enunciation system "backbone" and panels suitable for Tenant's secondary distribution;

(w) access at panels in the service core for distribution of Building requirements electrical power (initially 120/208 V for power and 277V for fluorescent lighting) up to the limits permitted under applicable law at the time the Building receives the initial temporary certificate of occupancy for the Building; and

(x) gypsum board on the service core walls, columns and sills in the Premises.

ADDENDUM B To Landlord's Work Letter

TENANT IMPROVEMENTS

Tenant improvements shall include:

- (a) Tenant ceilings and lighting;
- (b) Floor finish in the Premises (except elevator lobbies and public corridors on multi-tenant floors and toilet rooms);
- (c) Interior finishes of any kind within the Premises (except elevator lobbies and public corridors on multi-tenant floors and core area toilet rooms);
- (d) Interior partitions, doors and hardware within the Premises;
- (e) Terminal boxes and reheat coils or other HVAC or air distribution devices to or within the Premises;
- (f) intentionally excluded
- (g) Distribution of electrical services, plumbing services and sprinklers from the core to the Premises, and domestic hot water heater and associated hot water piping;
- (h) Any and all signs for Tenant and the power therefor;
- (i) Security, fire and life-safety systems throughout the Premises, including exit signs, intercoms and extinguishers, as required by applicable law, ordinance, rule or regulation;
- (j) Additional and/or above standard electrical capacity; and

ADDENDUM C To Landlord's Work Letter
FORM OF BUDGET

ADDENDUM D To Landlord's Work Letter
COSTS OF TENANT IMPROVEMENTS

ADDENDUM E To Landlord's Work Letter
PARKING LOT LOCATION